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BUSINESS WEEK



Behind the flag on July 4, 1940, a nation-wide production line for national defense.

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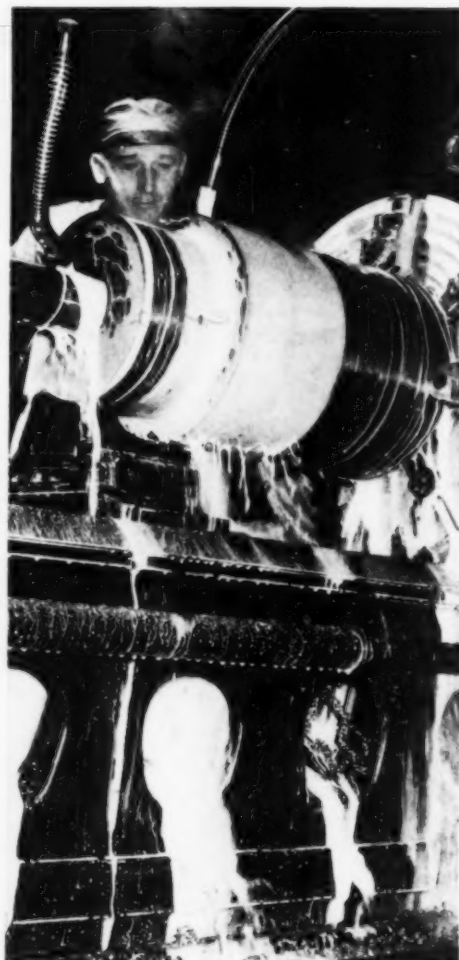
WARNER & SWASEY

signs up "for the duration"

Every ounce of our energy is squarely behind this country's rearmament program. While it would be far more profitable to us to have a smaller, more stable business, we are rushing two plant additions as our share in speeding up the tooling of aircraft plants, government arsenals, and other essential industries.

The complete line of Warner & Swasey turret lathe tools has been entirely redesigned over the last two years, to help you get added production and speed from the turret lathes you have, and base prices of tools and turret lathes have not been increased since the war began.

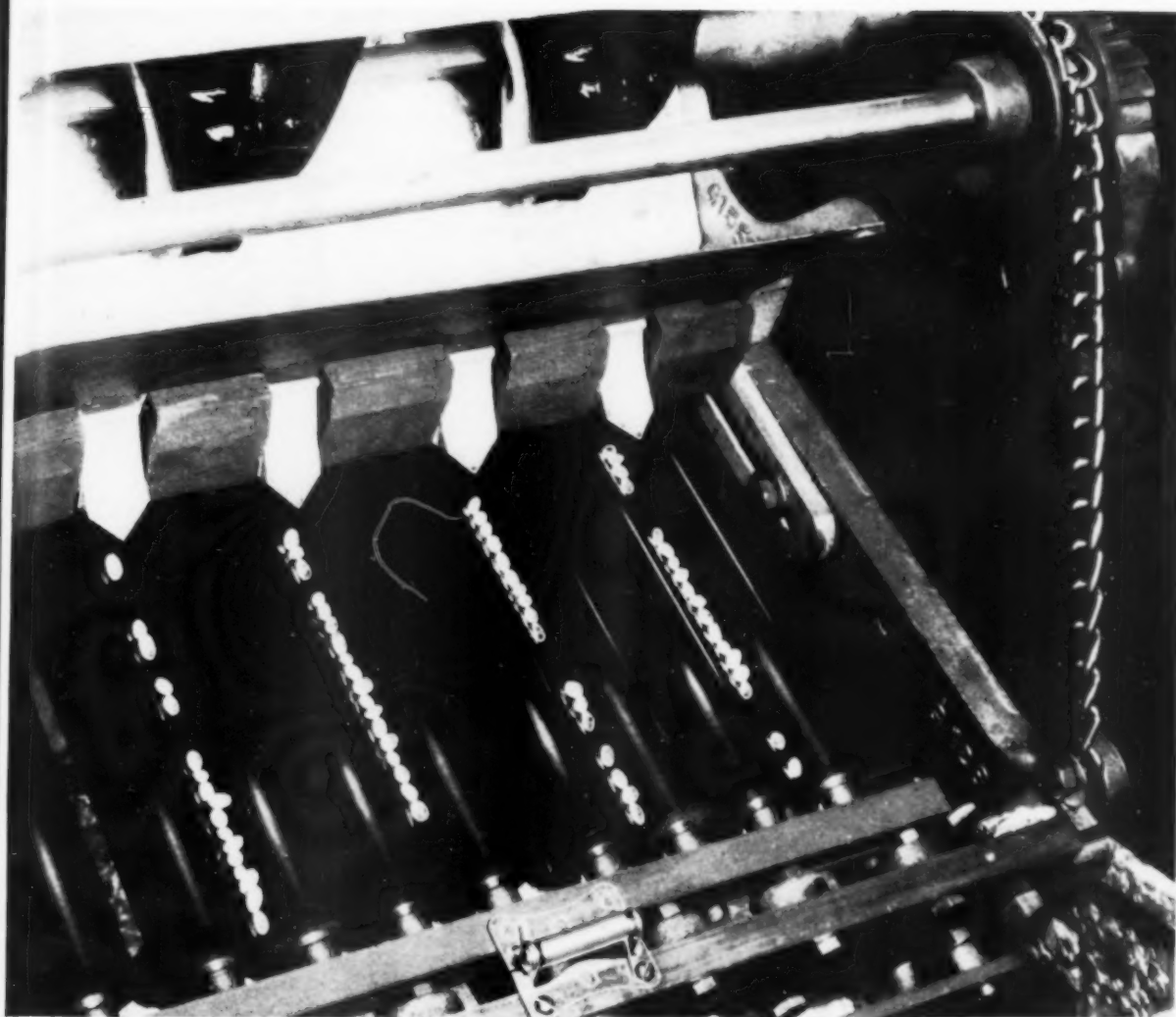
A training program has been developed to help your workmen use their skill to best advantage, and to help them see their true part in this vast rearmament plan. This program is yours for the asking.



Every one of us here, from workmen to field engineers to executives is at the service day or night of any unit in American industry engaged in the vital task of making our nation secure.

**YOU CAN TURN IT BETTER. FASTER.
FOR LESS...WITH A WARNER & SWASEY**





The machine that censors the bean crop

A typical example of Goodrich development in rubber

AS THEY come from the field, beans for "Boston baked" are bound to include a certain number of hard, wizened "culls." If these had to be picked out by hand, bean prices would be a lot higher. But beans are still a great American staple—because of rubber.

A manufacturer invented a machine that would spread beans over whirling pairs of rubber rolls. The beans move down along the rolls, and the inferior beans which are small and wrinkled were supposed to be caught between the rolls and be carried down to a waste bin.

But it didn't work. The rolls were

too hard—they crushed good beans, and failed to catch many of the culls.

The manufacturer had heard of the unusual things Goodrich has done with rubber, so he came here. Goodrich engineers had had years of experience with rolls in paper and steel mills. They developed a rubber with a special finish—polished so that the good beans which are smooth slip over it, but just soft enough to seize any bean that is wrinkled, and pull it down and away. Thousands of these Goodrich rolls are in use today, working efficiently, lasting for years.

Probably the next baked beans you

enjoy will be better because of this Goodrich development—and if they're canned, the can will probably be sealed with Goodrich cement, after being cleaned with Goodrich steam hose, its label made by Goodrich printing plates, and carried throughout the cannery on Goodrich conveyor belt.

(A booklet of reprints of recent Goodrich advertisements in this series will be mailed free on request. Just write to Department A10, The B. F. Goodrich Company, Akron, Ohio.)

Goodrich

ALL products problems IN RUBBER

One Cement company tells another..

★"We have installed a Buell Dust Collecting System on Kilns, Dryers and Raw Mills. This System has proven entirely satisfactory and we are well pleased with it in every respect. . . . This System is very simple and the only moving parts are the fans which, being placed on clean side, give long life with low maintenance."

★ name on request

Throughout the cement industry, Buell Dust Collectors employing the patented Van Tongeren System (the only cyclones with a dust pocket) are doing work outstanding for high efficiency and low operating cost. Re-orders have come unsolicited from many cement companies as a result of the performance record of Buell installations.

perhaps your business isn't Cement

Buell Dust Collectors can serve you well, whatever your dust problem. You will find Buell equipment used effectively in the processing of these and many other products:

Alkalis	Cosmetics	Heavy Minerals
Asphalts	Drugs	Ores
Carbon Products	Fertilizers	Oxides
Celluloid	Food Products	Salts
Cements	Grains	Soap
Ceramics	Glues	Starches
Coal and Coke	Heavy Chemicals	Sugar

You are invited to send, without obligation, for two interesting and informative booklets: INDUSTRIAL DUST COLLECTION and FRACTIONAL VS. OVERALL EFFICIENCY GUARANTEES FOR DUST COLLECTORS.

buell

DUST COLLECTORS

BUELL ENGINEERING CO., Inc., 60 Wall Tower, New York

Wherever located, you will be quickly served through sales offices of either BUELL ENGINEERING CO., or B. F. STURTEVANT CO.

THIS BUSINESS WEEK



BUSINESS WEEK



International

July 4, 1940, the 164th anniversary of U. S. independence, finds the U. S. again preparing to defend that independence. Our national defense program is already stepping up production in every industry from steel to American flags. A sign of the times is the young lady on this week's cover, handling a battery of four automatic sewing machines in the Annin & Co. flagmaking factory, Verona, N. J. American flag sales, which usually fall off sharply after Memorial Day, are still on the rise this year, and running 75%-100% over 1939.

Latin America

A REPORT on President Roosevelt's plan to set up a gigantic trading bloc in the Western Hemisphere, and some of the stumbling blocks in its path—page 15—with charts showing the status of Latin America's export trade and the volume of our present imports that could be switched to South American suppliers.

What's More

INDEPENDENT MOTION PICTURE theater operators meet in Chicago to bewail the sad state of the movie business—page 22. . . . THE FEDERAL Food, Drug and Cosmetic Act goes into full effect—after being stalled off for two years—page 28. . . . SAMUEL WOLCHOK, head of the United Retail and Wholesale Employees' Union, prepares for an invasion of his empire by Harry Bridges—page 37.

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A McGRAW-HILL

PUBLICATION

THE

"SAY, here's something that affects my estate—yours too, probably. I knew of the change in the Gift Tax law, but here it says the Federal Estate Tax laws have been changed six times in eight years. And just in the last twelve months seven states have changed their Inheritance Tax laws. I've certainly got to dig into that."



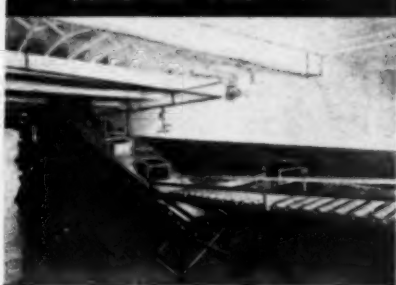
★ The problems of the substantial life insurance buyer are complex, and require specialized service. For example: this problem of keeping up-to-date on estate tax matters. Within the last few weeks more than 50,000 Union Central policyholders have sent for a new booklet, "The Exacting Demands of Inheritance and Estate Taxes." It's a brief, readily understandable analysis of these laws; it contains complete schedules of tax rates. You may obtain a copy free by writing to The Union Central Life Insurance Company, Cincinnati, Ohio, Department F-1

THE UNION CENTRAL LIFE INSURANCE COMPANY • CINCINNATI, OHIO

A \$400,000,000 Institution Founded in 1867

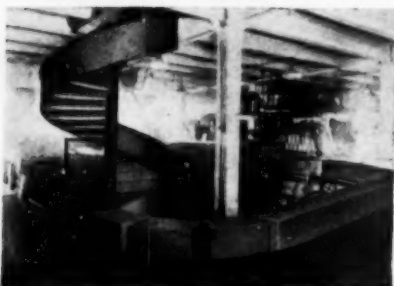
STANDARD CONVEYORS SAVE FOR OTHERS . . .

Put Them to Work — to
Save for You . . .



POPULAR SOAP MANUFACTURER SAVES \$21,393 A YEAR

Invested in system of standard spiral slides, flat, roller and belt conveyors amounting to \$25,000. The slides lower the cartons of soap to roller and belt conveyors leading to storage or shipping platform and also through a bridge connecting buildings.



WHOLESALE GROCERY CONVEYOR SYSTEM EARNS \$4,406.20 YEARLY

Installed a small system of standard roller conveyor and spiral chute amounting to \$2500 and saved \$4,406.20 first year. Every floor with its storage arrangement, and the shipping platform are easily reached by the spiral chute with its roller conveyor connecting lines.



DEPARTMENT STORE SAVES \$1500 A YEAR

To speed up the handling of cash and charge transactions, a Louisiana store invested \$5,000 in a Standard Pneumatic Tube System. It provides swift and accurate service between the sales sub-station and the central desk. Considering depreciation and interest, this investment will pay for itself in approximately 3 years.

There is a Standard office near you — get in touch with them on your next conveyor requirement.

A valuable reference book on conveyors "Conveyors by Standard" is available upon request to plant and production executives.

SALES AND ENGINEERING SERVICE IN ALL
PRINCIPAL CITIES

Standard
CONVEYORS
"THE STANDARD OF VALUE"

NEW BUSINESS

Flash!

WHEN Henry Ford 2d gets married next month, his grandfather's going to give him a car for a wedding present.

Gibberish

IT MUST BE an almost irresistible temptation to a manufacturer with a new product, to introduce it to the public with a brand new set of words—words that nobody else ever used before. Not only can new words point up the novelty of a new product, but there's always the chance that those words, brewed up by the advertising department, might sweep the country, so that whenever they were used, they would automatically conjure up visions of the product itself. Look at what Lifebuoy did with B.O., for example.

Admitting the occasional effectiveness of this method of introducing a product to the public, it could, nevertheless, do with a few drops of cold caution here, in the form of a couple of glaring examples that appeared recently.

John David, the men's clothing store chain, offered some summer pajamas. They were made of a lightweight material. The pants had no belt on them, and they were cut off short in the region of the knees. They were supposed to be extremely comfortable garments on hot nights.

The pajamas might well have been described just like that, as a matter of fact, and everybody would have known what John David was talking about. But those are old dried-up words with the fire gone out of them; and besides, the John David advertising copywriter was counting on selling his own brilliance along with those pajamas. The result was very high class Esperanto. The ads called the pajamas: "Faultless crinkle-crepe nobelt demi-jamas."

Weber & Heilbronner, another men's clothing store chain (they seem to be especially susceptible to this sort of thing), dived into the same mire recently—but deeper.

What it had to sell was a new variety of those underwear shorts, with an elastic abdomen supporter incorporated in them. But the advertisement it took to tell the folks about those shorts would have floored even the guy who writes headlines for *Variety*.

"Perfect Girth Control," the ads said. "Boston Abdo-Brace with V-Persuader Inner Belt."

Do you think you'll ever be asking a sales clerk for one of those? Do you think that little phrase can ever take the place of: "Gimme some underwear shorts to hold my stummick up"? Come on now, boys, you're off the reservation. First one

back to the dictionary gets a big red apple.

Too Perfect

SPEAKING OF MEN'S CLOTHES—and pajamas in particular—leads almost inevitably to *Esquire*, the magazine for men. *Esquire* has been cooking up the perfect American male for a good many years. (He ought to be about done now.) If you ruffle through an issue of *Esquire* these days, you'll see that ideal *Esquire* men don't "offend" (Mum); they're not "squirmers" (Cooper's Jockey Shorts); they don't have "button bother" (Grip-pers); they're tall (Adler's "Elevator" Shoes); they drink the right liquor (all of it), listen to the right music, tack up the right etchings, and wear the very latest thing in flashy clothes.

But *Esquire's* drive for perfection is getting down to a remarkably fine point—as you can see in the current issue of the magazine, where an outfit known as Glover's Tailored Man Pajamas has an ad, which reads, "At night, too, dress well for her." This command is accompanied by a photograph of a fellow preening in a doggy new pair of tailored pajamas, while the little woman (who is engaged in rolling down her stockings for the night, incidentally) remarks, with some relief: "No more bow-legged pajamas."

"This ends that 'funny page' look when you get into pajamas," the ad says. "No more bedtime bow legs. No high-water pants. No safety-pin adjustment. In Glover's . . . you'll look swell to the lady who bursts into your room (now, now, we mean the wife) . . ."

We don't see how *Esquire* can go any farther in its drive to make us all socially and physically irresistible. When it gets to the point where we only have to worry about the hang of our pajamas, then Utopia, as the saying goes, must be just around the corner.

Take It Back?

MR. M. M. BORING, the college personnel director of General Electric, told the National Education Association recently that colleges were ruining a lot of perfectly good truck-drivers and janitors. Columbia University, in New York, would have made Mr. Boring eat them words this week if he'd have stepped into Teachers College there, where a five-day course, labeled Esp229ex, was being given to 110 school janitors, on how to be a janitor.

Be Prepared

THE U.S. NAVY has just placed an order with Simon & Schuster, New York book publishers, for an order of 250 copies of a book called: "How to Play Winning Checkers."

WASHINGTON BULLETIN

WASHINGTON (Business Week Bureau)—Ready for Congress soon will be Roosevelt's request for another bankroll to "sound out" national defense. For scope and timing of the extended program, which is still on an "if and when" basis, the President has to weigh these factors:

(1) A blitzkrieg against England would—temporarily, at least—again set popular sentiment for arming the country to the teeth.

(2) If Hitler doesn't remain in the public mind as a continuing military threat, the country will sooner or later balk at continually increasing expenditures for armament, particularly when taxes begin to pinch.

So it's strike while the iron is hot. Contractual authority committing Congress to future appropriations rather than cash on the line now will be sought.

Problem: Paying for Plant

FOR THE FIRST TIME, the Administration is surveying, under Knudsen's direction, what war goods and how much will be needed for "total defense." The capacity to produce these goods is also under examination. Biggest stumbling block to private plant expansion so far is the question mark on amortization for tax purposes.

The next tax bill is expected to establish a statutory formula for writing off plant expansions by government contractors in order to expedite the defense program. Congressmen from metal-working districts are hearing from important constituents regarding their unsatisfactory conversations with the Treasury. These Congressmen will demand action. Tax experts on Capitol Hill now are working out a formula for inclusion in the tax measure.

Report on Needs

ALL PHASES of the preparation necessary to raise the major defense industries to the production level required for total defense are being covered by the Knudsen-Stettinius commission in a series of reports going forward to the White House. Studies cover the filling of immediate needs, the output which may be needed at various stages, the allocation of raw materials, and priorities that will be required as production is stepped up, until the primary war industries reach— if they ever do—capacity equal to total military and commercial demands.

Profit Limits Set

INDUSTRIES serving national defense will soon feel the pinch of legislation rushed through Congress on the eve of the Republican convention.

All contracts awarded by negotiation will be put on a cost-plus-fixed-fee basis,

the fee to be determined on the estimated cost and limited to a maximum of 7% on both Army and Navy contracts.

On contracts awarded by competitive bidding for Army and Navy aircraft and for naval vessels, the profit is limited to 8%. There is no profit limit on Army or Navy contracts by competitive bids for other than aircraft and ships.

Walsh-Healey rules govern all contracts, both negotiated and competitive. Time-and-a-half must be paid over 40 hours, including piece work, but not to regular clerical forces.

Roosevelt is authorized to suspend the Walsh-Healey Act, thus taking this discretion from Secretary Perkins.

Study Power Needs

FEDERAL POWER COMMISSION will soon send out questionnaires to the 10,000 or more manufacturing plants on the Army procurement list, asking them to report present power use, motor installation, estimated needs for the remainder of 1940, and estimated wartime needs. With

power shortage gossip going the rounds, factory managers will be prone to estimate sky-high.

★ Expectation: Tabulated results will yield few facts on which to base a defense policy but will provide lots of ammunition to New Dealers who believe in a strong federal power policy.

That Ford Fiasco

FORD'S REFUSAL to build Rolls-Royce engines for the British offers the first test of how tough the Defense Commission will be with non-cooperators. Ford appears already to have been frozen out of defense orders; whether more drastic action will be taken remains to be seen.

Knudsen's bitter statement strengthens the Washington view that the fiasco arose out of a dispute between Edsel and Henry, and revives in the capital long-circulated rumors about Henry Ford's political views.

However, cancellation of the 3,000-engine order for the United States along with the 6,000 for Britain occasions little

What Congress Will Do This Session

INDEFINITE CONTINUATION of the Congressional session will improve prospects for some legislation that would have been sidetracked had adjournment come in June. But the mere fact that the session promises to be long, with another week's recess during the Democratic convention, will serve to put the brakes on the recent burst of speed. Emphasis upon national defense will change the picture as to some measures.

La Follette-Thomas Labor Espionage Bill—Despite passage by the Senate, this bill now looks very dead.

Wagner Act—Prospect of amending the National Labor Relations Act is definitely improved by prolongation of the session. The Senate Labor Committee is expected next week to get down to serious consideration of how far it will go in that direction.

Wage-Hour Law—Amendments of a mild nature are a more distant possibility. If any are enacted, they will include relaxation of limitations which otherwise will decrease from 42 to 40 hours next October.

Transportation Bill—Little chance is seen of composing differences of the railroads and labor.

Johnson Act—No serious effort to amend this law barring credits to the Allies is expected. Judging by Roose-

velt's decision this week to stop the sale of motor torpedo boats to Britain, the Administration will tread softly in the direction of any amendment.

Logan-Walter Bill—Chances of enacting this measure to curb the freedom of administrative agencies are considered even slimmer now than prior to the rush to arm. The Administration's argument will be that in an emergency nothing should be done that threatens to hamper administrative action.

Investment Regulation—The compromise bill to regulate investment trusts and investment counsels, now on House and Senate calendars, is expected to pass.

Cole Oil Bill—Although promoted by Secretary Ickes, this bill is considered dead, despite efforts to give it a national-defense hue.

Jones Farm Credit Bill—Already approved by the House, this measure to retire land bank bonds and issue new ones at lower rates, which would reduce farm interest, is expected to go on the statute books.

Silver Purchase Act—If repeal of this statute ever had a chance, it's gone now by reason of our consideration for feelings in Mexico and all Latin America at this time.

PACKAGING

New Package Proves Successful Merchandiser For Chinese Dinner Combination

A NEW combination package for Chinese dinner ingredients developed and designed by Sutherland Paper Co., Kalamazoo, has become an unusually successful merchandising instrument for LaChoy Food Products Company, Detroit.

The ingenious window carton contains one can of Chop Suey, one can of Chow Mein noodles, and a small bottle of Soy Sauce. With these ingredients it requires just 15 minutes to prepare a complete Chinese dinner. A similar package is used for LaChoy's Meatless Chinese dinner combination. Both are attractively printed in three colors and serve as effective display mediums on retail shelves and counters.

Chow Mein noodles and Chop Suey were formerly packed 12 each in a 24-can corrugated shipping case with instructions to merchants to offer the trade one can of each at a stipulated combination price. Many retailers failed to make the combination deal known to their customers. Thus, the new packages have greatly simplified the merchandising of the Chinese dinner combination.



The LaChoy Company reports a healthy increase in sales since the new cartons were introduced. The combination packages also save clerks much time in wrapping and handling. Detailed description of contents on the package eliminates the need of explanation by clerks and clearly informs purchasers how to prepare Chinese dinner.

Many Manufacturers Profit by Sutherland Merchandising Knowledge

IT IS AN established fact that packages can solve many merchandising problems. Sutherland package designers and engineers know the "reasons why" of thousands of success stories. They know what part the packages play in those successes. Their counsel is extremely beneficial on both merchandising and protection angles of packaging problems.

(Advertisement)

surprise. There was never any doubt that all 9,000 engines would go abroad. The \$45,000,000 appropriation for the engines was not matched by any money for air frames. U. S. deliveries would have been "deferred in order to get a better engine." Real purpose of the domestic order was to protect Ford in event the British were wiped out and to justify federal participation in the cost of tooling-up. On collapse of the Ford deal, negotiations were immediately entered into with Packard.

★Naïveté: Apparently some manufacturers are still not aware of the extent to which the British and the United States procurement interlock through Secretary Morgenthau and the Defense Commission.

Aid to Allies Wanes

SENSITIVE to every wind that blows, Washington already detects a dwindling of the flame of popular sentiment fanned by the President's speech at Charlottesville. Reaction is setting in against further aid to the British since the collapse of France. On top of this, there is the growing realization that Hitler's offensive against this hemisphere will be in trade rather than arms.

This realization is strengthened by the Administration's own emphasis on the projected inter-American trade pool, which will bid for endorsement at the Havana conference early next month.

★Certainty: The Latin American republics will possibly prefer the glove to the fist, but the trade plan essentially is just a glove for the force that this Administration intends to exert, internally if necessary, to keep Hitler out of the Americas.

Carrying the Defense Load

FOR THE MILITARY AND NAVAL STRENGTH needed to erect a hemispheric barrier, the Defense Commission not only is speeding the execution of the \$5,000,000,000 defense program, as so far set up by Congress, but is also gauging the load that will be laid on industry by the \$4,000,000,000 outlay for a further 70% increase in the Navy and perhaps a larger additional outlay eventually for the Army.

For turning out the ordnance needed by the Army alone in a "major defense effort," one survey calls for close to a billion dollars in new plant capacity and equipment (BW—Jun 22 '40, p. 7). Part of this capacity will be built for and maintained by the government as a reserve; part will be put up by private industry out of money borrowed from the RFC. Such capacity may be taken over by the government eventually or arrangements may be made for writing off the investment.

Rubber Propagation

DEPARTMENT OF AGRICULTURE EXPERTS are busy mapping plans for promoting

Hull Program Sticks

THE REPUBLICAN BATTLE to smash reciprocal trade agreements will degenerate into sectional skirmishes after the delegates get home, having nominated a candidate who is not eager to undo Cordell Hull's job. Not only the nominee but also the runner-up is opposed to reverting to the old tariff bills, so crudely jigsawed by Congress.

Willkie's statement that Hitler had made the issue academic for a period to come by changing the whole world, and Taft's opposition even to requiring Congressional approval of new agreements, left J. W. Martin holding the bag.

rubber production in Brazil and northern tropical countries. They expect to go ahead with establishment of four propagating stations (BW—Jun 1 '40, p. 20) although Congress cut in half Roosevelt's request for \$1,000,000.

A gradually increasing commercial supply is foreseen, which in the still distant future—15 to 20 years—will combine with synthetic production to sever this country's dependence on the Oriental supply.

★Cooperation: This government is ready to tie into plans announced by President Vargas of Brazil to stimulate rubber production in Amazon territory.

New Antitrust Test

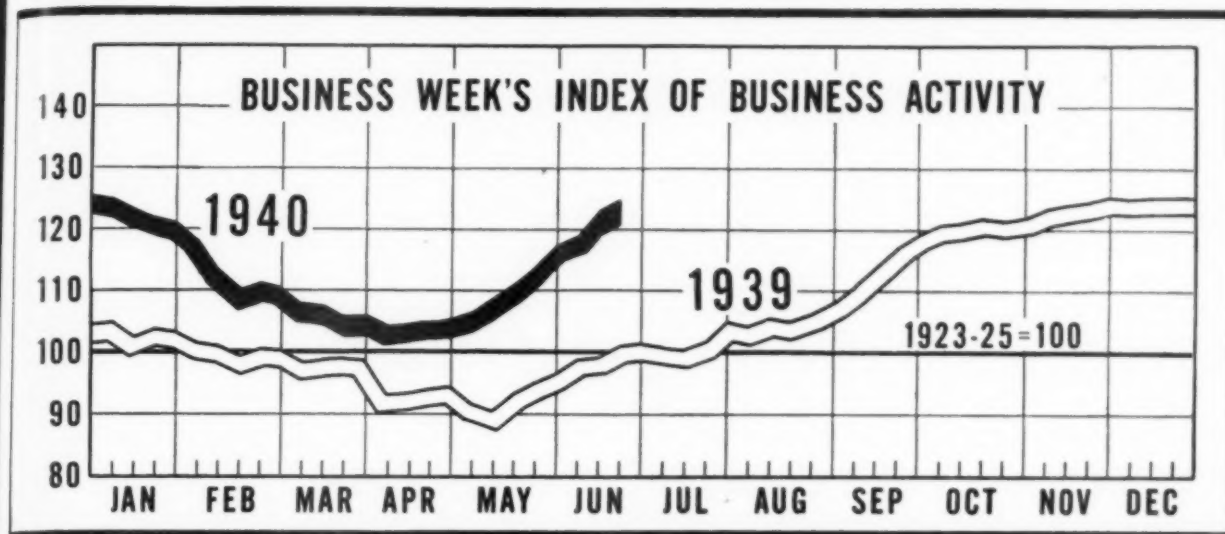
IN BRINGING SUIT against Johns-Manville and seven other companies in the mineral wool industry, the Department of Justice is pushing its antitrust building drive into new ground. Object of the suit is to get the courts' dictum on the legality of controlling unpatented products through patented processes covering their use.

The government alleges that the defendants have acquired a price-fixing monopoly over mineral wool by their sub-licensing arrangement with contractors using the Slayter patent process, by which the insulating material is blown into the walls of existing structures.

P. S.

GRIM WISECRACK of Arthur Purvis, of the British Purchasing Board: "We have got to have airplane engines. We can't take gliders to the front." Great Britain would take 5,000 engines immediately if available. . . NEW \$1,160,000,000 relief appropriation permits waiver of 25% local contribution on projects "important to military or naval purposes." (The Senate prudently decided, however, that "national defense" was too broad a term.) . . . ROOSEVELT has signed the Oliver bill putting an end to General Foods' plan to process fish on the Newfoundland coast for duty-free importation into the U. S.

THE FIGURES OF THE WEEK



THE INDEX.....

% Latest Week	Preceding Week	Month Ago	6 Months Ago	Year Ago
*125.0	†123.2	114.1	125.6	101.2

PRODUCTION

Steel Ingot Operations (% of capacity).....	86.5	87.7	76.9	73.7	54.3
Automobile Production	90,060	93,635	96,810	117,705	81,070
Engineering Construction Awards (Eng. News-Rec. 4-week daily av. in thousands).....	\$10,990	\$12,890	\$9,190	\$8,275	\$9,271
Electric Power Output (million kilowatt-hours).....	2,500	2,516	2,449	2,641	2,285
Crude Oil (daily average, 1,000 bbls.).....	3,846	3,816	3,836	3,668	3,453
Bituminous Coal (daily average, 1,000 tons).....	1,317	1,345	1,278	1,451	1,056

TRADE

Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	74	73	72	73	69
All Other Carloadings (daily average, 1,000 cars).....	45	45	41	40	37
Check Payments (outside N. Y. City, millions).....	\$4,788	\$4,039	\$4,791	\$5,604	\$4,438
Money in Circulation (Wednesday series, millions).....	\$7,741	\$7,717	\$7,613	\$7,679	\$6,934
Department Store Sales (change from same week of preceding year).....	+9%	+14%	+5%	+6%	+6%

PRICES (Average for the week)

Spot Commodity Index (Moody's, Dec. 31, 1931=100).....	157.2	156.4	153.3	169.6	142.8
Iron and Steel Composite (Steel, ton).....	\$37.80	\$37.76	\$37.51	\$37.10	\$35.72
Scrap Steel Composite (Iron Age, ton).....	\$19.58	\$19.92	\$18.17	\$17.67	\$14.71
Copper (electrolytic, Connecticut Valley, lb.).....	11.156¢	11.458¢	11.338¢	12.500¢	10.000¢
Wheat (No. 2, hard winter, Kansas City, bu.).....	\$0.76	\$0.80	\$0.83	\$1.04	\$0.69
Sugar (raw, delivered New York, lb.).....	2.71¢	2.76¢	2.74¢	2.90¢	2.86¢
Cotton (middling ½", ten designated markets, lb.).....	10.48¢	10.49¢	9.94¢	10.64¢	9.54¢
Wool Tops (New York, lb.).....	\$1.037	\$1.036	\$0.933	\$1.160	\$0.838
Rubber (ribbed smoked sheets, New York, lb.).....	22.63¢	22.19¢	20.42¢	20.40¢	16.36¢

FINANCE

Medium-Grade Corporate Bond Yield (30 Baa issues, Moody's).....	5.00%	5.13%	5.21%	4.94%	4.90%
U. S. Bond Yield (average of all issues due or callable after twelve years).....	2.33%	2.41%	2.47%	2.32%	2.16%
U. S. Treasury 3-to-5 year Note Yield.....	0.72%	0.80%	0.77%	0.49%	0.39%
Call Loans Renewal Rate, N. Y. Stock Exchange (daily average).....	1.00%	1.00%	1.00%	1.00%	1.00%
Prime Commercial Paper, 4-to-6 months, N. Y. City (prevailing rate).....	½-¾%	½-¾%	½-¾%	½-¾%	½-¾%
Business Failures (Dun & Bradstreet, number).....	296	245	297	249	310

BANKING (Millions of dollars)

Demand Deposits Adjusted, reporting member banks.....	20,495	20,615	20,201	18,923	17,238
Total Loans and Investments, reporting member banks.....	23,596	23,661	23,544	23,465	21,923
Commercial and Agricultural Loans, reporting member banks.....	4,387	4,377	4,394	4,406	3,823
Securities Loans, reporting member banks.....	883	916	1,018	1,362	1,203
U. S. Gov't and Gov't Guaranteed Obligations Held, reporting member banks.....	11,626	11,614	11,494	11,166	10,531
Other Securities Held, reporting member banks.....	3,526	3,578	3,488	3,367	3,320
Excess Reserves, all member banks (Wednesday series).....	6,770	6,610	6,373	4,900	4,227
Total Federal Reserve Credit Outstanding (Wednesday series).....	2,539	2,523	2,520	2,645	2,584

STOCK MARKET (Average for the week)

50 Industrials, Price Index (Standard Statistics).....	94.9	96.2	88.9	120.6	109.8
20 Railroads, Price Index (Standard Statistics).....	25.5	24.9	23.0	31.3	26.8
20 Utilities, Price Index (Standard Statistics).....	59.7	56.8	54.5	68.4	66.3
90 Stocks, Price Index (Standard Statistics).....	78.7	79.0	73.4	98.4	90.0
Volume of Trading, N. Y. Stock Exchange (daily average, 1,000 shares).....	532	886	1,051	814	479

* Preliminary, week ended June 22nd. † Revised. ‡ New series. § Date for "Latest Week" on each series on request.



"John! I Forgot the Cellar Light!"

"Hurry up!" calls the horsecar driver. "Confound the folks with these new-fangled electric lights," mutters the impatient man in the black derby. But Mr. and Mrs. Gray Derby continue to worry because the lamp is left burning, and their whole evening is ruined.

IT'S HARD to believe these days, isn't it? Today electricity is so inexpensive that we use it more freely than water. Night lamps burn in thousands of homes. And we blithely go away for an hour or a week and leave electricity to take care of our refrigerators, regulate our furnaces, run our clocks, and operate our other home appliances.

Maybe we take electricity too much for granted. We seldom stop to realize how many tasks it makes easier—how many tasks it shoulders with no attention. Not only in the home, but also in

industry, where it serves us in unsuspected ways. It makes possible the manufacture of thousands of the articles we use, reducing their cost, making them plentiful so that everyone can have them.

For more than 60 years General Electric scientists, engineers, and workmen have been busy finding ways to make electricity more useful. They have helped to give us Americans more comforts, more conveniences than are enjoyed by any other nation. Their efforts today are creating still More Goods for More People at Less Cost.

G-E research and engineering have saved the public from ten to one hundred dollars for every dollar they have earned for General Electric

GENERAL ELECTRIC

NEW YORK WORLD'S FAIR—SEE THE G-E "HOUSE OF MAGIC"—SAN FRANCISCO EXPOSITION

June 29, 1940

THE BUSINESS OUTLOOK

While uptrend is slowed down for further information, defense activity begins to work on investment market. Railroad buying illustrates effect of "new major industry." But recovery isn't straight-line movement.

THE UPWARD TREND in business received a temporary setback this week. Steel operations slipped off a point after a steady two-month advance; the steel scrap price also wavered in its rise. And sentiment—as measured by stock prices—sagged. The war in Europe and the G.O.P. convention in Philadelphia exerted a double pull on investors and speculators. Fears lest (1) England fall a quick victim to German might and (2) the Republicans name a candidate with little chance against an opponent named Roosevelt overshadowed the economic significance of the government's defense program.

SEC Wants to Ease Up

Yet, by all odds, defense is bound to act as a powerful stimulant for sustained industrial activity at a high level (*BW—Jun 22 '40, p. 13*). Not only does it mean direct orders to a widespread group of industries and companies, but also it is serving as an agent of fusion between the government and business. It isn't just chance that the Securities and Exchange Commission this week took under serious consideration a proposal to ease up on the 20-day waiting period before a corporation could float securities.

At the moment, days are precious in getting companies started turning out ordnance. And, if a company has to have financing to buy machinery or enlarge a plant, it's more important to get the work under way than to go into legal huddles over this clause and that clause. That's why the SEC is willing and anxious to expedite new issues. Seemingly, for the first time in many years, industry and government have a clear-cut common interest.

Investment Market Opens

Defense has the effect, moreover, of opening up the investment market. Ever since 1929, economists have talked about the lack of investment incentives or opportunities. There has been frequent repetition of the statement: "The country has reached economic maturity." Whenever such up-and-coming industries as plastics, or air conditioning, or synthetics, or aviation were mentioned as possible dynamic investment influences they were usually deprecated as either

"substitutes for existing products" or "not quite big enough."

But now defense is developing into a major U.S. industry. It has jarred the SEC loose from a cherished prerogative and it has encouraged business men to go out and build plants and buy new machinery (chart, page 24). There is still some hesitancy because the government has not agreed to permit charging full obsolescence or depreciation costs into the price; but, with business men taking an active part in organizing the program, it seems probable that the Treasury will be persuaded to be real-

istic. It isn't common sense to ask a corporation or a business man to do a job and at the same time refuse to pay for it. After all, if inordinate profits are feared, there is a way to get at them—through an excess profits levy, similar to the one now in force in Great Britain.

The railroads already are "investing" in the big job ahead of them. Directors of the Pennsylvania Railroad this week authorized orders for \$10,000,000 of the "most modern" equipment, including 2,500 freight cars which are designed for hauling shipments of unusual length and weight. The Southern Railway has a \$20,000,000 program under way, embracing 2,150 freight cars and 25 locomotives. Other roads with orders out are the Nickel Plate and the Chesapeake & Ohio. But more business is to come. *Iron Age* estimates that "50,000 to 60,000 cars may be purchased within the next few months," despite the declaration of the Association of American Railroads that the carriers are prepared now to handle all traffic demands.

Program Not Really Started

These orders exemplify the wide ramifications of the defense program. For here is the transportation industry getting ready for the increase in activity expected to flow from government demand for immediate articles of war—planes, tanks, shells, etc. However, it is not to be taken for granted that the defense program is a direct and instantaneous source of a large volume of business. Nothing could be farther from reality. The program is still very much in the formative stage. Really big orders are yet to be placed. For Washington is still in the process of getting itself organized.

But Setback Is Possible

Hence, an end to the war could set back industrial activity suddenly and, perhaps, sharply. For even though this government took over Britain's orders, it would take time to revise specifications. Unquestionably there would be an immediate falling off of exports, to which the heavy industries are geared. This presumably is one of the main considerations in the nervousness in both stock and commodity markets (Outlook Chart).

Moreover, a slackening in the pace of the upturn could logically be expected right about now, with the steel mills operating not far from capacity and with the automobile industry approaching the changeover period. It just isn't in the cards to expect a straight-line recovery.



Both stock and commodity markets have been nervous these last two months. When Germany moved into the Low Countries, commodity prices started up, but stocks promptly turned down. Then as the German legions pushed into France, they both declined in unison. However, as France's capitulation approached, both stocks and commodities steadied, and finally advanced. The "bad news" had been discounted. Now, for about 10 days, both markets have been moving erratically—poised for developments.

The Regional Business Outlook—Quarterly Summary

BUSINESS ENTERS the third quarter with the emphasis on national defense; so sales prospects are bright in Reserve districts which harbor the heavy goods industries—airplane manufacturing, shipbuilding, steel, and so on.

Thus, business history is likely to repeat. Last September the war's initial impact was on the heavy industries. But the rise petered out in December, and for four months business declined—from January through April. In that eight-month period the purchasing power ratio of the country rose to 105.8—that is, income was 5.8% higher than in

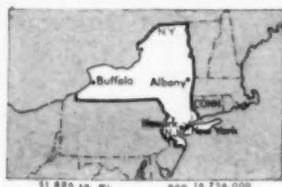
the corresponding eight months last year. By and large, industrial areas gained faster than the agricultural regions on the upswing and lost ground faster on the downswing.

Diverse industrial and agricultural characteristics account for such variances in purchasing power ratios as 109.8 for Cleveland and 103.0 for New York—both industrial areas—and 107.2 for Minneapolis and 103.3 for Dallas—both farming sections. Dominant factors in income trends and sales potentials for the next three months in each of the 12 Reserve districts follow:



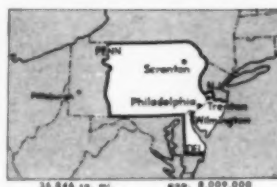
Purchasing Power Ratio: 107.7

Contrary to the usual sequence, the heavy goods industries—aircraft, machine tools, and metal products—paced the upturn; but demand for textiles, woodens, and shoes has begun to pick up. Right now Connecticut and central Massachusetts—heart of this area's armament output—offer the best sales opportunities, but consumer goods centers should not be overlooked later on.



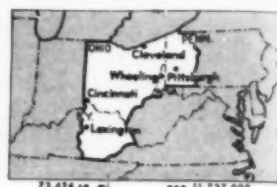
Purchasing Power Ratio: 103.0

As the nation's clothier, this area will gain only indirectly from expansion in ordnance buying. Increases in harbor activity, metal fabrication, and output of uniforms have taken place, but these activities are not as dominant as the comparatively stable commercial and financial operations. Biggest gains will tend to be in the heavy-industry centers, like Buffalo and Schenectady.



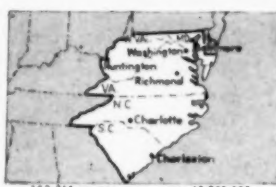
Purchasing Power Ratio: 107.5

This is one of the key regions in the Army and Navy defense scheme, for it manufactures ships, tanks, steel; in addition, many plants can be readily converted to armament-making. Thus, employment and payrolls should expand with defense orders. Diversified non-durable goods manufacturing—stockings, knitwear, cloth—will respond more slowly to the general business upswing now taking place.



Purchasing Power Ratio: 109.8

Here in the American Ruhr are concentrated 50% of the country's steel capacity, 40% of its coal output, and much of its machine tool, electrical equipment, and other machinery production. Inevitably, with increasing emphasis on defense requirements, payrolls will expand. Since workers in this district are skilled and highly paid, buying power and sales potentials once again assume a top ranking.



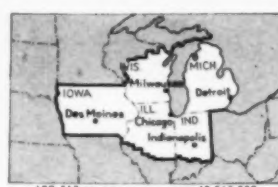
Purchasing Power Ratio: 106.2

Agricultural prospects dominate income in this Reserve district. With tobacco acreage curtailed, high sales potentials are not to be expected in the Carolinas. Textile payrolls are likely to improve. Up north, some armament business will develop—steel and aircraft in Maryland, coal and chemicals in West Virginia, ship and car building in Virginia, Washington, D. C., ought to be a busy place.



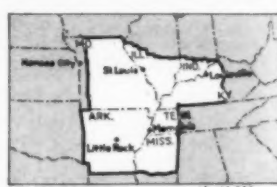
Purchasing Power Ratio: 104.4

Despite the continuing migration of industry southward and a resultant rise in construction, purchasing power gains in this district are not apt to be up to the country's average. Cotton will be going to market in late summer, and prospects for exports are not bright. Furthermore, there are relatively few heavy industries here to derive substantial orders from the national defense program.



Purchasing Power Ratio: 107.4

Automobile companies now enter the slack change-over period, but the resulting decline in the area's payrolls probably will be more than offset by expansion in military production of carbiding, tractor, farm implement, and automobile companies. Farm income, particularly in Iowa and Wisconsin, is running ahead of last year; overall sales prospects for this region are about as good as they come.



Purchasing Power Ratio: 104.8

Although the southern Illinois oil boom has begun to taper off, manufacturing payrolls in the St. Louis industrial area are now expanding. Unemployment is the lowest in years and both heavy and consumer goods factories are getting new orders. Agricultural gains in the southern part of this Reserve district will be limited by the outlook for cotton, the short fruit crop, and low hog prices.



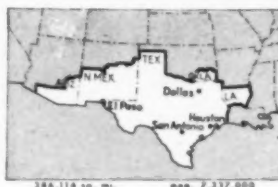
Purchasing Power Ratio: 107.2

Despite the drop in wheat prices, farm income here is still headed upward. Increased plantings and heavy spring rains indicate bumper harvests. Moreover, iron and copper mining are up sharply, and manufacturing slightly. However, purchasing power probably will not maintain the present ratio, which was boosted by liquidation of loan wheat and heavy early payments of government benefits.



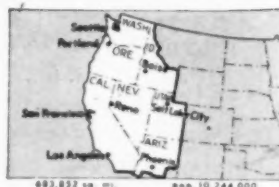
Purchasing Power Ratio: 103.8

Plentiful spring rains have enriched pastures, improved crops, and lifted sentiment moderately. But the May drop in wheat prices ruined farmers' hopes of recouping losses on a crop that was poor to begin with. (BHW—Mar. 30 '40, p. 14); and farm income is not apt to be much above 1939 levels. Industrial activity is of the stable, non-volatile type, and this is not one of the most promising regions.



Purchasing Power Ratio: 103.3

Normally, 10¢ cotton would spell pretty good business in this Reserve district, but current hopes are tempered by doubts over export prospects in the summer and fall. Furthermore, oil production is being curtailed because of excessive gasoline inventories. Aside from local boomlets stimulated by army camp construction, airports, and training bases, income is apt to be stable but below average.



Purchasing Power Ratio: 105.6

Aircraft in southern California will continue to expand. Other industries—lumbering, copper mining and canning—promise enlarged but not sensational levels of activity. Fruit and vegetable receipts usually increase along with national business activity; and recently the weather has been good for crops. Thus, farming rounds out a prospect of about-average income gains.

Seeing Eye to Eye—After Seven Years



APR.

Seven years ago when Hoover's Secretary of State Henry L. Stimson (right) showed the ropes to incoming Secretary of State Cordell Hull (left), their policies seemed poles apart. But events, particularly of the past few months, have bridged the gap. Last week's appointment of Stimson to head the War Department evidences a new and more widespread

support of Roosevelt's foreign policies. However, Republicans at their national convention in Philadelphia this week were inclined to regard formation of the "coalition Cabinet,"—including not only Stimson, but also Frank Knox, in the Navy post—more as an adroit political maneuver than as a fundamental step toward national unity.

U. S. Seeks a Hemisphere Economy

Success of proposals for integration of the Americas will depend in large part on attitude of Latin nations and extent of aid which this country will give.

RUBBER ORIGINATED in Brazil's steaming Amazon forests, but the bulk of today's commercial supplies comes from southeastern Asia—Malaya and the Netherlands East Indies. The United States, the world's No. 1 consumer, paid \$180,000,000 for Far Eastern and African rubber last year. Not one dollar's worth came from Brazil.

High in the Andes Mountains in Bolivia is one of the world's most famous tin mines. Its output is worth about \$25,000,000 a year. The United States in a normal year buys twice that much tin but hauls most of it from the distant Dutch and British mines in the Orient, or from smelters in northern Europe. Bolivian tin reaches the United States only by way of the great smelters in England.

For months, the President and his aides have been studying Latin American export figures, comparing them with United States needs. In some cases—Argentine corn, for example—the problem is to aid a neighboring nation in finding new markets for goods formerly sold in Europe,

even if the United States already has a surplus of the same commodity. In other cases—Bolivian tin, for example—it is a problem of reorienting our own business so that we will fill more of our needs in this hemisphere.

When the President went to Hyde Park a week ago, he had in his briefcase a dozen sheets of notes summarizing the results of these months of study and a dozen recommendations for a daring new Western Hemisphere economic policy. Insiders in Washington believe that by the time Congress reconvenes on July 1, he will be prepared to outline his whole program and ask Congress for the \$1,000,000,000 or more that will be needed to set up the "Pan-American trade cartel."

Still Needs Organizing

Critics insist, and probably with justice, that the President's scheme is much too big to be attempted without far more planning and organizing than has been possible in the period since it was first proposed.

All of Latin America is essentially a

great raw materials producing region. Argentina, Chile, and Uruguay—with their wheat, corn, cattle, wool, and copper—are largely supplementary to the United States. But the rest of the territory, from Paraguay to Mexico, is mainly tropical and complementary to the United States. Therefore, while the traditional hypothesis that Latin America's natural market outlet is Europe is true in the case of the southernmost of the Latin American countries, it need not be true as far as the rest of the region is concerned. Brazil grows cotton for export, but this is so only because Europe, and particularly Germany, offered a better deal on cotton during the last few years than the United States offered on other tropical items such as cocoa, coffee, vegetable oils, or rubber.

Openings for Development

Latin America had \$125,000,000 of meat to sell abroad in 1938. We bought less than \$6,000,000 worth of it, but we bought more than \$20,000,000 of meat specialties from other parts of the world which might have been bought in Latin America if we had encouraged the business on the same thorough and systematic basis that Germany develops its foreign markets.

We buy all but a trickle of our coffee in Latin America, though we take less than three-fifths of the output, and, with huge reserves and an export surplus of our own, we buy only such petroleum from Latin America as can be delivered to advantage in some of our Caribbean possessions.

What the President proposes to do immediately is to buy up surplus commodities in all these countries and attempt to market them with our superior financial and distribution facilities. This is contemplated in order to relieve the economic distress in countries which are largely dependent on export duties for the bulk of their government running expenses, and which might otherwise be subject to economic and political pressure from a Europe that unquestionably will want their goods after the war.

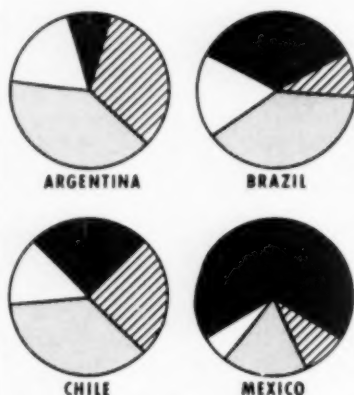
Will They Be Good Neighbors?

What will not be clear until the President reveals his whole plan to Congress, and until the various nations meet in Havana late in July to discuss the proposals, is how far we expect to dominate this new cartel. Also to be determined: How friendly each nation south of the Rio Grande is going to be to the proposal; whether or not we are prepared to take some astronomical losses on old debts in Latin America in order to put them on a sound, self-liquidating basis; and how far we are prepared to put the whole scheme on a basis of real equality for all participants.

Insiders expect the Administration to take these steps:

(1) Ask Congress for \$1,000,000,000 to

Four Leading Nations — and their biggest markets



EXPORTS TO:

United States German Bloc
British Empire All Others

Data: Bureau of Foreign and Domestic Commerce.

© BUSINESS WEEK

The burgeoning German economic bloc (in which all of Europe except the United Kingdom and the Soviet Union has been included) is normally a bigger customer for many a Latin American country than is the U. S.

\$2,000,000,000 to set up the Pan American Commodity Corporation.

(2) Acquire enough of each of the piled-up surpluses in Latin America to remove the financial pressure on individual governments. Actual transfer of commodities is not likely at once; funds will simply be advanced against warehoused commodities as was done by the AAA in the case of farm surpluses here.

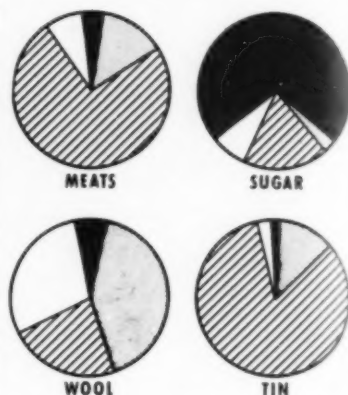
(3) Seek to substitute Latin American raw materials for supplies coming normally from other parts of the world which are likely soon to be in new economic blocs with which it may not be possible to trade freely. Also, on a long-term basis, attempt to expand and diversify production to meet United States' demands for tropical goods (rubber, spices, vegetable oils, and special fruits).

(4) Speed communications with Latin America by financing the completion of the Pan American Highway, by increasing and speeding up shipping services and enlarging the air services within Latin America.

(5) Increase United States investments in exploitation projects in Latin America, but in all cases with at least equal participation by the nationals of the country involved. Biggest deals of this kind now pending are for the development of Brazilian and Venezuelan iron ore and manganese deposits utilizing United States technical skill and capital, but without United States control.

Four Leading Commodities — and who buys them

Total Latin American Exports



EXPORTS TO:

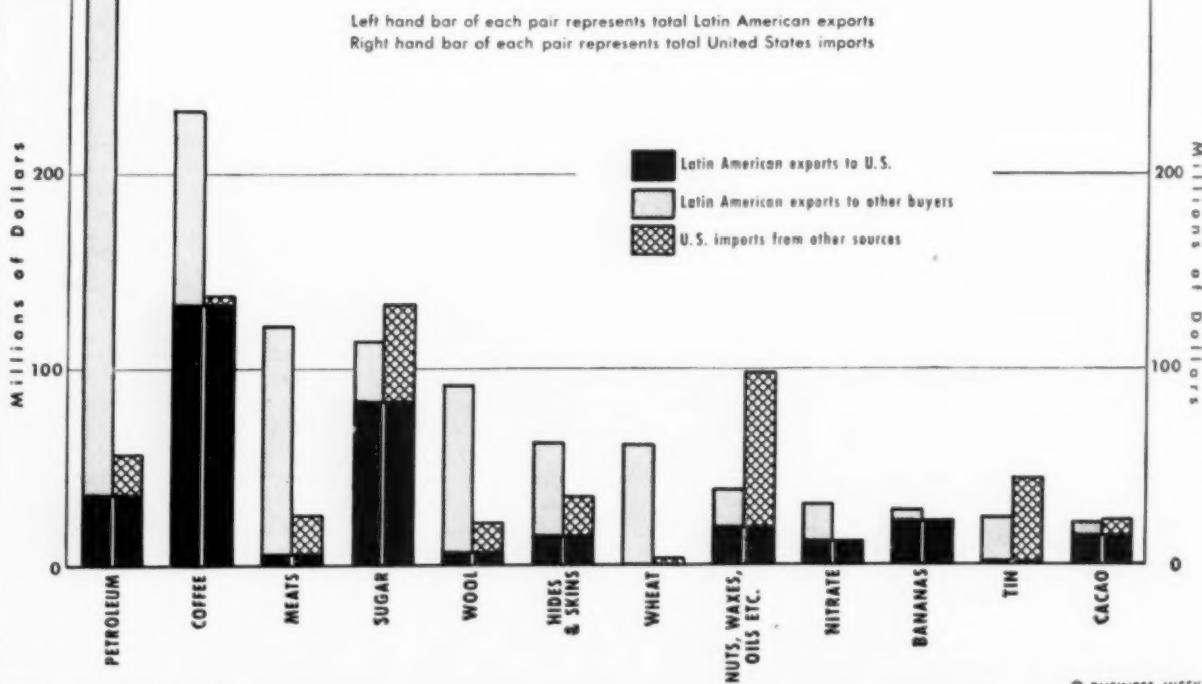
United States German Bloc
British Empire All Others

Data: Bureau of Foreign and Domestic Commerce.

© BUSINESS WEEK

As a big buyer of many Latin American materials, Europe will use its bargaining power to fight the President's Pan American cartel plan. It can be made to work only if boldly conceived and carefully organized.

How much we buy—and could buy— of 12 important Latin American exports



Data: Bureau of Foreign and Domestic Commerce.

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Hunting War Materials

U. S. consuls are asked to report immediately on availability of strategic commodities.

A SURVEY among American consuls to locate exact amounts of strategic and war materials throughout the world (except in belligerent nations) and to determine their availability to the United States has been started by the Stettinius administration of the defense commission.

The step was preliminary to gobbling up whatever stores can be carted away, with the \$60,000,000 specifically made available for such materials in the increased national defense appropriations. The consuls were asked which materials are immediately available, which will be available soon, and how and when transportation to the United States can be arranged. Replies started coming in as Congress put the finishing touches on national defense bills so that purchases could be speeded.

Indications were that available amounts were to be snapped up and the fastest ship ordered to take them aboard. The defense commission, working with the Army and Navy and Bureau of Mines, is now operating on the policy of getting "what we can, where we can, and as quickly as we can."

Manganese, tungsten, tin, and chromium are holding priority attention.

Air Merger Spiked

CAA overrules Pound, forbids purchase of Western Air Express by United Air Lines.

CIVIL AERONAUTICS Authority overruled a recommendation of its examiner, erudite Roscoe Pound, and turned down the proposed purchase of Western Air Express by United Air Lines. United operates between New York, Chicago and Pacific Coast cities; Western Air's run extends from Salt Lake City to Los Angeles. The merger would have integrated the routes.

United consoles itself with permission granted by the authority for the interchange of sleeping plane equipment. This means that United's westbound planes can be taken over by Western Air crews at Salt Lake City and flown by them to Los Angeles. Western Air ships flying eastward from L. A. will be taken over at Salt Lake City by United crews.

Turn down of the merger is in line with CAA policy. It does not consider that the time has come for large consolidations of commercial air companies. Hence, most of them operate in one direction with few angles or feeders. United is considered fortunate since it not only operates from New York westward but it is a north-south service along the Coast.

No Trip to England



Harris & Ewing

PRESIDENT ROOSEVELT this week halted the transfer of 20 of these Elco British-designed "mosquito boats" to England. The Navy had previously agreed with the Electric Boat Co., of Groton, Conn., on "deferred delivery" of 20 torpedo and submarine-chasing motor boats, on the assurance that they'd get better boats in their place. In ordering Secretary of the Navy Edison to break off the deferred delivery deal last week, Roosevelt referred to the opinion of Attorney General Jackson, to the effect that the transaction would have violated the 1917 law prohibiting sending out of American jurisdiction "any vessel built as a vessel of war with any intent or under any agreement that such vessel shall be delivered to a belligerent nation."

A contract with Elco last December covered the outright purchase by the Navy of one boat, and the building of 23 more. The transfer to Britain of 20 boats would have left the Navy with two sub-chasers and two torpedo boats for comparative testing with similar boats of domes-

tic design being built. The Navy now claims it only wanted two torpedo boats and two sub-chasers from Elco in the first place, but could not ask the company to build a \$700,000 plant for less than two dozen.









Assistant Secretary of the Navy Compton last week assumed full responsibility for the British deal, which met strenuous objection from Chairman Walsh of the Senate Naval Affairs Committee—and a number of others. Though Secretary Edison defended the deal, he admitted that no further sales were contemplated, and explained that the sale of the 20 boats to Britain was considered because they were constructed with a British 18-in. torpedo tube instead of the Navy's 21-in. standard.

The 70% Navy expansion bill passed by the House last week carried \$25,000,000 for these mosquito torpedo boats—which are equipped with four torpedos, smoke screen apparatus, and four machine guns, are capable of a full-load speed of 50 m.p.h., and can perform many of the reconnaissance duties of destroyers.

Acme



The Business Record, State by State *Per Cent Gain or Loss from First Quarter 1939 to First Quarter 1940*

States by Regional Groups	 Passenger Car Sales	 Gasoline Consumption	 Household Refrigerator Sales	 Ordinary Life Insurance Sales	 Value of Checks Drawn	 Farm Income	 Electric Power Output	 Heavy Construction
New England	+29	+5	+25	-16	+5	+14	+10	-47
Maine.....	+55	+9	+26	-15	+5	+11	+4	-81
New Hampshire.....	+152	+5	+6	-14	+9	+4	-14	-74
Vermont.....	+41	+7	+47	-0.4	+8	+2	-58	-77
Massachusetts.....	+16	+3	+25	-21	+3	+10	+15	-33
Rhode Island.....	-7	+6	+29	-16	+11	+3	+68	-11
Connecticut.....	+54	+6	+24	-8	+13	+40	+21	-58
Middle Atlantic	+31	+7	+17	-8	+0.03	+6	+14	-38
New York.....	+18	+5	+14	-7	-2	+7	+14	-57
New Jersey.....	+31	+7	+15	-6	+12	-0.1	+16	-17
Pennsylvania.....	+52	+8	+21	-12	+12	+6	+14	+49
East North Central	+47	+8	+42	-13	+15	+9	+14	-18
Ohio.....	+54	+7	+47	-9	+14	+7	+13	+58
Indiana.....	+25	+9	+43	-16	+15	+11	-4	+9
Illinois.....	+38	+7	+34	-15	+14	+12	+32	-31
Michigan.....	+58	+10	+57	-13	+18	+4	+12	-67
Wisconsin.....	+59	+10	+34	-16	+9	+8	+2	-81
West North Central	+10	+4	+23	-21	+9	+16	+6	-46
Minnesota.....	+37	+12	+36	-19	+14	+26	+36	-74
Iowa.....	+4	+3	+14	-22	+3	+5	-13	-68
Missouri.....	-3	+2	+23	-23	+8	+14	-10	-33
North Dakota.....	+63	+28	+70	-4	+26	+110	+13	-39
South Dakota.....	+35	+10	+8	-7	+10	+17	+13	-43
Nebraska.....	-5	-2	+20	-25	+2	+6	+14	-16
Kansas.....	+11	-3	+7	-21	+7	+22	+17	-31
South Atlantic	+20	+6	+27	-11	+13	-1	+15	-17
Delaware.....	+23	+6	+24	-9	+22	-2	+24	-96
Maryland.....	+24	+7	+15	-11	+17	+6	+1	-45
District of Columbia.....	+4	+9	-0.1	-17	+8	+46	+75
Virginia.....	+25	+4	+18	-12	+7	+10	+34	+1
West Virginia.....	+46	+9	+47	-1	+5	+6	+32	-74
North Carolina.....	+25	+1	+33	-9	+12	+24	+15	-39
South Carolina.....	+26	+7	+34	+6	+13	+27	-14	-74
Georgia.....	+16	+5	+43	-14	+16	+6	-6	+20
Florida.....	+10	+9	+20	-21	+16	-37	+24	+225
East South Central	+25	+2	+45	-19	+11	+11	+25	-1
Kentucky.....	+21	+2	+32	-24	+9	+15	+10	-27
Tennessee.....	+33	+3	+48	-20	+10	+3	-6	+212
Alabama.....	+15	+3	+50	-18	+16	+32	+40	-53
Mississippi.....	+27	+1	+55	-11	+13	+2	-5	-38
West South Central	+20	+5	+39	-18	+8	+22	+9	+26
Arkansas.....	-5	+3	+82	-25	+6	+58	-41	+217
Louisiana.....	+15	+5	+32	-25	+7	+1	+20	+174
Oklahoma.....	+15	+1	+14	-28	+6	+23	+8	+2
Texas.....	+27	+6	+43	-11	+9	+19	+9	-1
Mountain	+27	+8	+38	-15	+6	+24	+26	+58
Montana.....	+20	+9	+32	-16	+11	+85	+22	-13
Idaho.....	+58	+14	+80	-12	+11	+25	+1	-21
Wyoming.....	+6	-0.03	+6	-32	+3	+24	+5	-45
Colorado.....	+11	+8	+21	-16	+1	+13	+3	-24
New Mexico.....	+26	+11	+11	-9	+11	+37	+17	+778
Arizona.....	+48	+10	+54	-9	+7	-0.3	+82	+646
Utah.....	+31	+6	+45	-8	+11	+16	+64	-31
Nevada.....	+48	-4	+32	-16	+20	-8	+28	-62
Pacific	+28	+7	+70	-21	+8	+11	+4	-5
Washington.....	+36	+9	+62	-20	+15	-1	+11	-46
Oregon.....	+40	+9	+90	-22	+5	+10	+10	-32
California.....	+25	+7	+70	-21	+7	+16	+0.2	+36
UNITED STATES	+29	+6	+33	-14	+5	+12	+13	-20

"Unforeseen events . . . need not change and shape the course of man's affairs"



MEMORIES...

The pennants may be taken down . . . the furniture moved about . . . but nothing will ever destroy, in the memories of two people, the recollection of this room as it once was.

The boy who used it will return from no distant port . . . for he never ran away. He will come back with no fortune made . . . for he left to make none. He left to try out a new fielder's glove . . . and he ran into the street to catch a ball.

It isn't to our credit as mature citizens of a civilized country that more than 3,000 youngsters will die beneath

automobile wheels this year. We of The Maryland, both as individuals and as an organization, are pledged to help reduce the traffic toll. By safety work and with messages such as this we are achieving a measure of success.

Can we count on *your* help? It requires no sacrifice of time, no cash outlay. Just *drive carefully* . . . keep your hands on the wheel, your eyes on the road and your mind on the alert. Your care may keep a little face from becoming just a memory. Maryland Casualty Company, Baltimore.

THE MARYLAND

The Maryland writes more than 60 forms of Casualty Insurance and Surety Bonds. Over 10,000 Maryland Casualty agents and brokers can help you obtain protection against unforeseen events in business, industry and the home.

Pre-Harvest Check-Ups on Kansas Wheat



WHEAT RESEARCH in Kansas recorded further long strides as thousands of interested people gathered at recent county meetings to see how 40 different varieties withstood extraordinarily trying weather. Tender shoots were first beset by autumn drought; then came an unusually cold winter; finally, the spring weather was too wet. Grain which is now ready for harvest, or is fast ripening, had to be sturdy to pull through.

In a Riley county test field (above, left), Dr. R. I. Throckmorton, head of Kansas State College's agronomy department, pronounces the grain, "Grade B; too many smooth heads." He was helped in the judging by Eileen Miller (at his right), who ranks on a par as a crop forecaster with the best known male prognosticators for the big Chicago grain houses.

Raising of the relatively new Tenmarq wheat got a boost from Milton Fuller (right), sales manager for Page Milling Co., Topeka, pictured here as he was making a two-minute speech over Senator Capper's station WIBW, offering a 2¢ premium on every bushel of this wheat bought by his company in 1940 and 1941. He was joined in the offer by 22 other millers.

The state's production this year probably won't be more than half of its normal 150,000,000 to 175,000,000 bu. Nevertheless, visitors to the test plots discovered that the six varieties approved by the flour millers stood up the best. These include four hard winter wheats—Turkey red, Kanred, Blackhull, and Tenmarq—and two soft, Kawvale and Clarkan. Blacklisted is Chiefkan which makes bumper yields, but poor flour.

In rejecting United's merger application, the CAA said:

"The preponderance which approval of the application in this case would give to United in the west coast region would . . . not be suited to present and future needs . . . would not be in the best interests of local business in that territory and would not serve to maintain and encourage competition to the extent necessary to assure the development of a properly balanced system."

Tankers for Defense

Maritime Commission lets final contracts for oil carriers that could keep up with fleet.

IN LETTING CONTRACTS for three high-speed tankers last week, the United States Maritime Commission wound up a program of cooperation with private tanker operators that has sent many a 10,000 to 15,000 gross-ton super-powered tanker splashing down the ways in the last two years.

The super-power is important. The Maritime Commission wants these tankers available as refueling ships for the Navy—and to keep up with the fleet a tanker must be fast.

Thus, for instance, the 11,500-ton Esso Albany, now under construction for

Standard Oil of New Jersey, will carry turbines able to produce 12,000 hp., exactly twice the power specified on the blueprints for a conventional 15,000-ton tanker soon to be built for commercial use by another company. Result of the step-up: Some of these big Maritime Commission ships are able to spank along at 18 knots or more. In 1938, the average speed of commercial tankers was 12 knots.

Probably within the next 18 months the whole fleet of 23 tankers capable of functioning as naval auxiliaries will have been placed in service. The extra speed which is being built into them and the cost of meeting naval building specifications, amounting to about 22% of the \$67,000,000 building price, is being met by the government.

The first 12 ships were ordered by Standard Oil of New Jersey. Eleven have been placed in service, three of which have been bought from Standard by the Navy.

Another two have been purchased by the Keystone Tankship Corp., a common carrier of bulk oil. Still another group of six, slightly smaller and slower than the Standard ships, was ordered by Soco-Vacuum Oil Co., Inc. Contracts for building a final group of five have now all been placed. The three ships ordered last week will go to Keystone Tankship Corp. affiliates.

Tricks of the Trade

THE CONNOISSEUR may scoff, but Americans seem to prefer their wine served chilled. The Wine Institute has tested the idea in several markets and found that when dry and sweet wines were kept in store refrigerators—along with the milk, butter, and beer—sales increased 75% to 300%. . . . SHOWMANSHIP: The tin can that a Chicago packer uses for one of his meat products has been given a white-enameling that makes it as conspicuous on a grocery store shelf as a city slicker at a corn-husking bee.

Building Business

INSTEAD of being riveted, the steel construction in a New Jersey factory, which has just been completed, is held together with bolts that are threaded with patented, non-slip nuts. These new-type nuts will be the sole product of the new factory. . . . AN EARTHQUAKE in Imperial Valley this spring proved one thing: A 1933 California state law requiring quake-proof school buildings has been well worth the extra 2% in construction costs which it has necessitated. Not even the plaster was cracked in any of the 15 schools built since 1933, while those erected prior to the law were, without exception, seriously damaged. Some were shattered beyond repair.

HERE ARE "RIGHT NOW" RESULTS ANY BUSINESS CAN ATTAIN

TODAY, business men are looking for ways of getting *immediate* results to offset the increasing cost of doing business. They are searching for improvements which dig in, *right now*, in the fight for *increased net profits*.

Alert management is finding that fastest, most tangible results come from adopting *better methods and simplified procedures within business itself*. That is why Addressograph Methods, with a proven record of increasing profits and reducing costs in practically every department of business, now assume greater importance than ever before.

A 1940 Addressograph Designed to Meet the Business Needs of the 1940's

If ever office equipment was built to the specifications of present business needs, it is this new Class 1900 Addressograph. It is the result of 45 years' experience in serving business—plus engineering skill which only such experience can produce. Designed for many new uses, it affords *new speed, versatility, convenience, and economies*. It supplements the work of other office equipment, bringing new all-around efficiency and savings. It is most important to management because *it is the direct means of putting into effect business methods which reduce costs and protect profits*.

Let your nearby Addressograph representative give you the complete story in terms of your business. You'll find ADDRESSOGRAPH SALES AGENCY listed in principal city telephone books. Or, if you prefer, write to "Methods Department" at the address shown below.

ADDRESSOGRAPH-MULTIGRAPH CORPORATION
Cleveland, Ohio

ADDRESSOGRAPH-MULTIGRAPH OF CANADA, LTD., TORONTO
Sales Agencies in Principal Cities

Addressograph
TRADE MARK REG. U. S. PAT. OFF.

Reduce Payroll Expense
Prevent Losses in Fabrication
Keep Customers Active
Avoid Misdirected Deliveries
and Shipments
Avoid Collection Losses
Handle Stockholder Records Better
Speed Up the Handling of Orders
Maintain Effective Inventory Control
Stop Loss of Production Time
Route Salesmen Profitably
Reduce the Cost of Mailings
Reduce Expense of Records
and Reports



METHODS THAT INCREASE PROFITS

Movie Trade Bemoans Unhappy Lot

Producers' profit margin disappears with European market. Exhibitors, charging squeeze play, prepare to assert themselves, can hope for aid from Arnold.

DEEP BLUE is the movie business these days. The producing companies' European market has disappeared, taking with it all profit margin. And the theater owner is downright rebellious. He feels he has been handed the dirty end of the stick long enough and his resentment is made sharper because his box-office ticket sales have inexplicably shrunk by an estimated national average of 22½%.

Last week the Allied States Association of Motion Picture Exhibitors met in Chicago to consider the parlous state of their business. Allied is the national association of independent theater owners. As such it is the natural enemy of the producer-distributors, who not only make and lease out films but also own a lot of movie houses that are in direct competition with their independent customers.

Officers and rank-and-file members of Allied claim the independent is clamped by three forces which squeeze all hope of a fair profit out of their theaters:

(1) The falling-off in box-office trade,

which they ascribe in part to the war, in even larger part to a low average of pictures spawned in the triple iniquity of block booking, blind selling, and double features.

(2) The steady boost in film rentals demanded by the big companies, a boost which they say is accentuated now by producers' efforts to make up their lost export revenues at the expense of domestic exhibitors.

(3) The rise in the theater owner's expenses due to ever-higher labor costs. His investment has been forced steadily higher by competition and public demand until the burden is excessive.

Getting Data for Bargaining

The independents claim they could saw off 60% of all double-features programs within 24 hours—if it were not for the producer-owned theaters, which boost double features to increase parent companies' sales of films.

Allied took a promising step toward

holding down film rental rates when the convention voted to set up immediately at Philadelphia an information clearing house to which all members will report the terms, clearance, prices, and number of preferred rental towns in their territories. The clearing house will promptly tabulate these nation-wide figures, send the findings back to the members. And the members will thus have, for the first time in the history of the industry, factual information to use in bargaining with the rental-boosting distributor who claims, "this price is far below what we're asking the other parts of the country."

Would Like Some Deflation

Exhibitors are tired of being pushed around, are ready in spirit for a buying strike—which they cannot legally stage. They claim that they need 25%-33% reduction in film rental levels. They demand that, to achieve this, six-figure-salaried executives in Hollywood and New York come down to earth and learn how to make a good picture for the \$50,000 which has been the total cost of many a successful independent-made film. The regional units of Allied are conducting membership campaigns to strengthen its right arm and are getting results because every crossroads theater owner wants to help cut the producers down to a normal size.

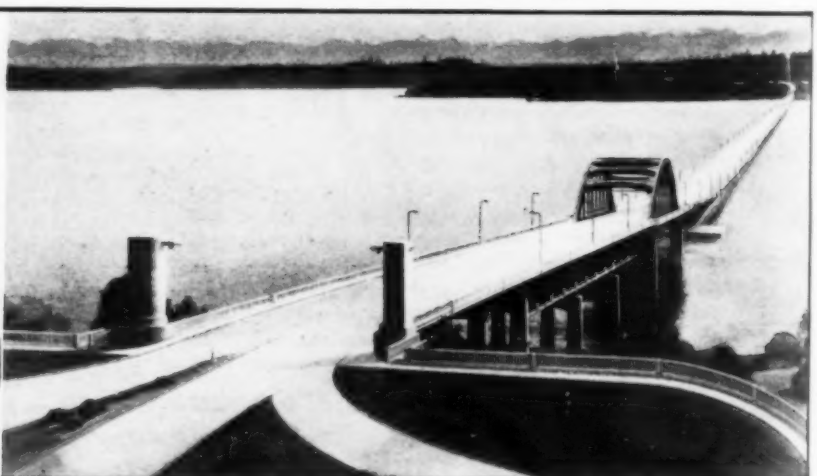
Despite their big talk, the independent

Seattle and Tacoma Dedicate Two New Bridges



FRIENDLY rivalry between Seattle and Tacoma will reach a new peak next week when each city dedicates a new bridge. But both stand together in plugging their spans as tourist attractions, which they hope will bring in new and profitable business.

Tacoma, which dedicates its Narrows Bridge (left) on July 1, is proud of these specifications: It is the third longest single suspension span in the world; hangs 195 feet above the water; is 5,000 feet long; has a center space of 2,800 feet and two shore suspension spans of 1,000 feet. It has a roadway 26 feet wide which connects Tacoma and the Olympic Peninsula. The cost is figured at \$6,500,000.



Seattle answers with these facts about its pontoon bridge across Lake Washington (right) which will be dedicated July 2: It is the world's longest and largest floating bridge, and the first to be completed of reinforced concrete. It is 6,561 feet long, not including fixed approach spans; has four traffic lanes on a 45-foot roadway; is made up of 25 rigidly-connected, anchored pontoon sections. The pontoons were built in a drydock on Seattle's waterfront on Puget Sound, and floated about 21 miles around into Lake Washington. Sixty-four anchors weighing about 65 tons were sunk in the clay bottom of the lake in order to hold the structure. Cost: \$9,000,000.

exhibitors last week knew that their best chance for relief lay not in Chicago, but rather in New York. Early this month the suit brought by Thurman Arnold's monopoly division against the Big Eight motion-picture producers came up for hearing in federal court in Manhattan, after months of fruitless attempts to arrive at a consent decree had been blocked chiefly by Paramount's unwillingness to sign up for divesting itself of ownership of theaters which are its principal source of profits (*BW*—Apr 27 '40, p. 15).

Just before the first witness was to take the stand—and thus, under the Clayton Act, make the decree available as evidence in treble damage suits—the trial was adjourned and negotiations for a consent decree were resumed. This time it looks as if Paramount will yield to pressure and really permit a settlement.

Where They Might Agree

Best guess as to terms of the decree to which both sides would consent:

Block booking to be reduced to blocks of five pictures, instead of the blocks of 52 which are the present average units.

Blind selling to be abolished, by permitting the rental of films to exhibitors only after the picture is completed and a trade showing has been held. Exhibitors feel this should be a major influence for upgrading the average of picture quality, since it makes a picture a perishable product which the theater owner may shun if the trade reviews make him think it will not sell to his customers.

Arbitration to be established to handle claims of an independent exhibitor that a distributor is discriminating against him in favor of a competing circuit theater.

Divestiture of theater ownership from the producing-distributing function not to be abandoned by the government, but to be given a three-year stay during which there will be adequate opportunity to test the efficacy of the injunctive provisions against abuse of independent theaters. Also, during this period, the Big Eight may not increase their theater holdings anywhere in the United States. (Whoever wins on this point wins the battle.)

Tunnel Job Speeded Up

CLAIM of a world speed record in tunneling is made by the Golden Cycle (mining) Corp. in its drive to un-water Cripple Creek's gold deposits (*BW*—Dec 23 '39, p. 21). The company allotted \$1,000,000 for the six-mile drainage tunnel. Work began July 13, 1939, with expectations of a four-year job. Last month over half of the tunnel was completed and adjusted estimates put the duration of the work at two years or less. By letting out the water, 30 square miles will be opened to profitable mining and Colorado's famed gold field may enjoy another boom.

NORTON ABRASIVES

Abrasives Conquer Modern Alloys

Far greater dependability went into the airplane when the metallurgist produced new and tougher alloys—but they were of little worth without abrasives, primarily the grinding wheel.



WHEN IT'S A GRINDING PROBLEM, CALL IN NORTON ENGINEERING SERVICE

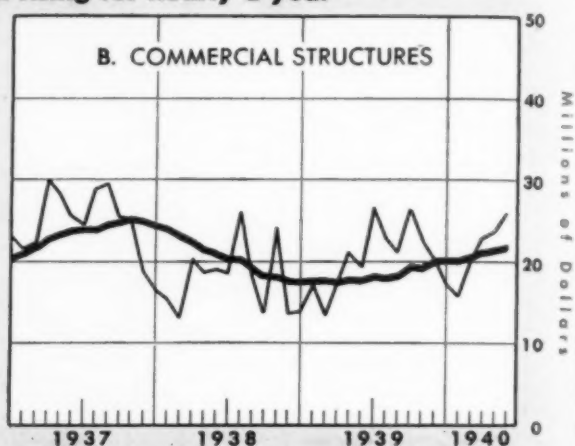
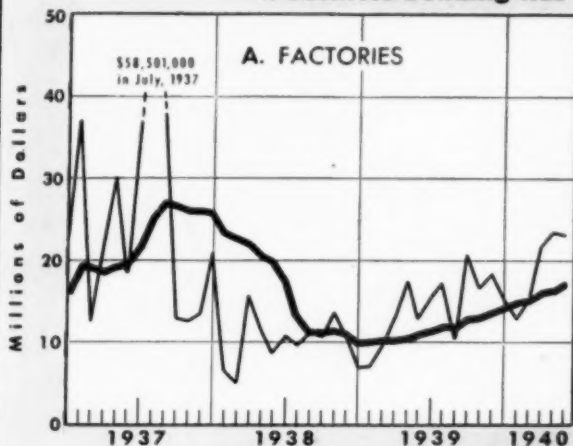
NORTON COMPANY
WORCESTER, MASS.

BEHR-MANNING DIVISION, TROY, N. Y. (ABRASIVE PAPER AND CLOTH)

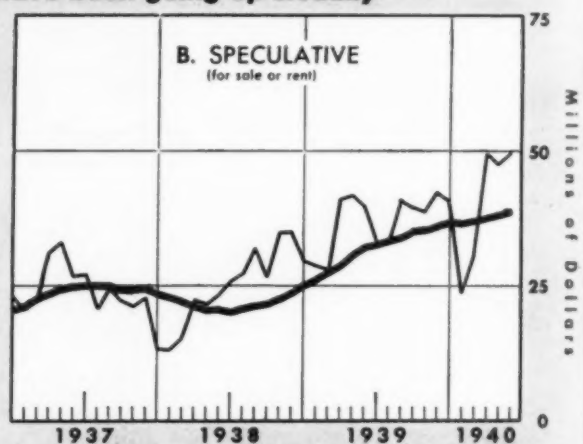
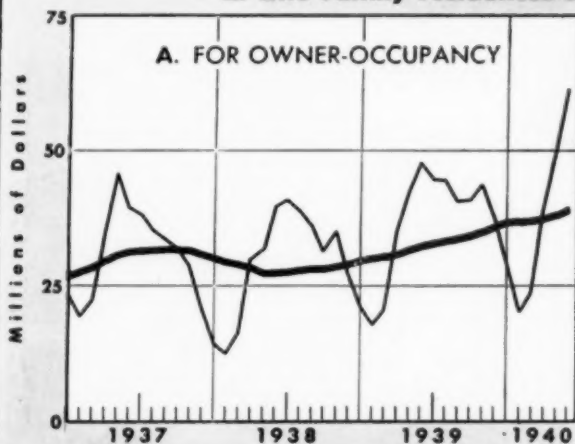
CONSTRUCTION FANS OUT ALONG BROAD FRONT

Private capital goes to work as national defense emphasizes need for factory and commercial structures. Small residential operations—possibly to beat the gun on price rises—also move up steadily.

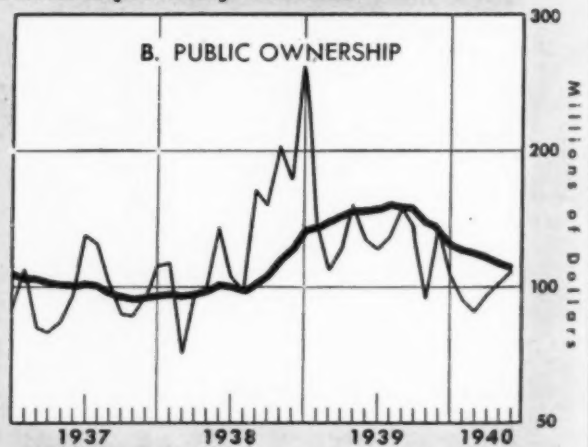
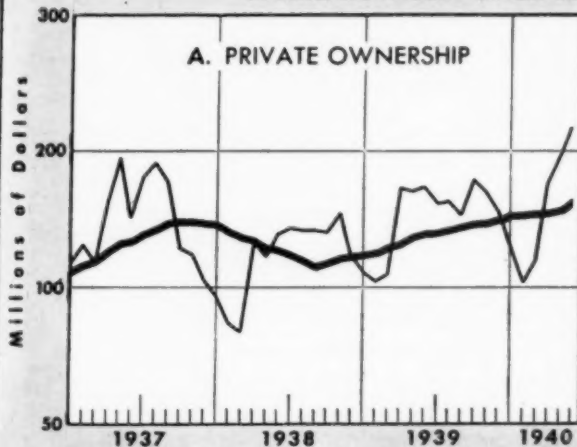
1. Business building has been rising for nearly a year



2. One-Family residences also have been going up steadily



3. And now 66% of all construction is privately financed



— Monthly Data

— 12-Month Moving Average

Date: F. W. Dodge Corp., contracts awarded in 37 eastern states.

© BUSINESS WEEK

to help you Prepare"

L. B. SWIFT, President, TAYLOR INSTRUMENT COMPANIES

than in quieter times—more uniformly good clothing, food, petroleum products, articles for national defense. And produce many more of them at lower costs!

"Speed up, without sacrificing the safety of men or machines.

"Speed up, without putting too heavy a burden on personnel or payroll.

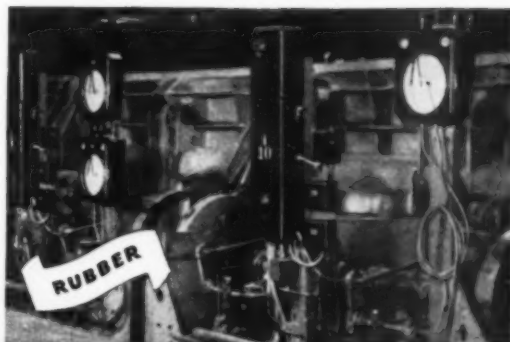
"Taylor is ready to help you speed up. Taylor Precision Control of temperature, pressure, flow, and liquid level will help you modernize your plant. Taylor's indicating, recording, and controlling instruments will help *automatically* to insure efficient operation in a new plant. Taylor will give you the one right instrument you need for one part of one operation—or the one complete and correct control system for your whole production process.

"For nearly ninety years, helping to speed up Industry has been Taylor's biggest job. It never was a more important job than right this very minute. That's why Taylor Instrument Companies have speeded up their own production. That's why you must. You must be prepared, because *America must be prepared!*"

L. B. Swift
PRESIDENT

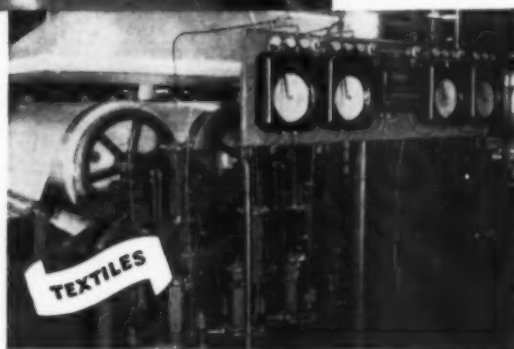
Taylor Instrument Companies, Rochester, N. Y.
Toronto, Canada, and London, England

RUBBER—No matter how great the speed in the processing of rubber—nature's or man's—Taylor Instruments *automatically* help to guarantee lasting strength



FOOD—In food processing, controlling temperatures and pressures with Taylor Instruments helps to insure constantly uniform high quality.

TEXTILES—In this vital industry, the Taylor engineered slasher control system *automatically* records and controls temperatures. Finer cloth is thus made faster.



Taylor

Indicating Recording · Controlling

TEMPERATURE, PRESSURE, FLOW
and LEVEL INSTRUMENTS

MARKETING

ADVERTISING • MERCHANDISING • SELLING

New Drug Act in Full Effect July 1

FDA plans no sudden moves, and food, cosmetic, and pharmaceutical industries are ready for labeling provisions. Many controversies cleared up.

FIRST OF JULY, with about the excitement that a half-inch firecracker would occasion on the heels of an air raid, the last of the labeling provisions of the federal Food, Drug and Cosmetic Act of 1938 became effective. Excitement is scant because industry has had plenty of time to get ready, has done a painstaking job of preparation. Because of the exhaustive revision of labeling and packaging practices which has already been done, the Food and Drug Administration contemplates no blitzkrieg of enforcement. However, FDA probably does have in mind a series of mopping-up actions against companies which have failed to comply with the law after the long period of education. Chances are that a majority of cases will be concerned with cosmetics and proprietary drugs.

The complacency with which the industry now awaits full enforcement is in marked contrast with the consternation that prevailed in 1933, when the proposed "Tugwell bill" burst upon a startled advertising world. It was then apparent that the old 1906 law was due for a change. Five years of unrelenting legislative warfare followed in which industry spokesmen battled with rampant idealism. The resulting compromise measure, signed by the President on June 25, 1938, is a law which does not seriously interfere with the marketing of the great bulk of foods, drugs, and cosmetics, but which represents a real advance in consumer protection and in the regulation of the quack nostrums that have long chiseled into the legitimate market.

Esteem for Law Grows

That favorable opinion of the law—held by its administrators, consumer groups, and the bulk of industry—has been strengthened as various provisions have gone into effect. As soon as the law was signed, the "dangerous drug" provisions became enforceable, and by May of this year the FDA had made 149 seizures of drugs or cosmetics which were deemed to be dangerous when used in the dosage or manner prescribed. Most widely publicized of these seizures was of Bromo Seltzer, in a case which was dropped when the manufacturer acquiesced in a decree of condemnation and

reduced Bromo's acetanilid content to a point which the Administration had suggested would be acceptable (*BW*—Dec 30, 39, p. 5).

The remainder of the law was originally scheduled to become effective on June 25, 1939, but a month before that date manufacturers won a reprieve from most of the important labeling provisions when Congress moved the enforcement date back to Jan. 1, 1940, and further stipulated that an additional six months' grace should be accorded for labels manufactured prior to Feb. 1, 1940. The practical effect has been to postpone all labeling enforcement (except that having to do with dangerous drugs) until next week. And, although the provisions against adulteration and slack-filled packages were not postponed, trade observers feel that the FDA may have held its hand on some violators until they could be called to task on all counts.

Not that the FDA has been idle. In the last two years it has had a threefold

job: to enforce the old law until it was finally superseded; to enforce various provisions of the new law as they became effective; and to pave the way for coming provisions. All told, up to May 1, the Administration has made seizures of 1,335 shipments of foods, drugs, devices, and cosmetics under the new law. Of these, 992 were food shipments, seized for the following reasons: poisonous, 119; filth or decomposition, 678; economic cheats, 146; deceptive containers, 49. Another 213 were drugs, seized for these reasons: dangerous, 63; deceptive containers, 22; failed to meet claims, 128. Devices accounted for 212 of the shipments, seized for these reasons: dangerous, 86; deceptive packages, 32.

The number of criminal actions is naturally far smaller than the number of seizures. Nevertheless, the Administration has recommended criminal prosecutions against 216 shipments, broken down as follows: foods, 104; drugs, 62; cosmetics, 49; devices, 1.

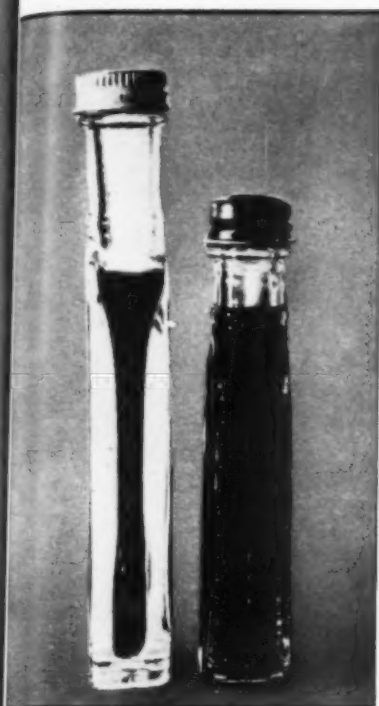
Sets Impressive Penalties

In its health guards, the new law represents an improvement over the 1906 act largely in the far heavier penalties that are now imposed—fines running as high as \$10,000 (instead of \$100) and imprisonment up to three years. The FDA now expects the courts to do something they couldn't do under the old law—make the penalty fit the crime—with the result that aroused compliance will cut down seizures for purely health reasons, so that the Administration can give



These are significant changes made on the Mistol carton, to comply with the new food and drug act—but changes made in the label on the Mistol bottle itself are even more sig-

nificant. They include the following caution, in directions for use: "Not recommended for infants under 2, debilitated persons, or those suffering from prolonged illness."



Deceptively-formed bottles like the one on the left will bow out when the new food and drug act takes effect.

more attention to deceptive packaging and improper labeling.

Also important as a health guard in the new law is the section establishing permit control over the marketing of all new drugs. This section was put in to prevent a repetition of the sulfanilimide disaster, in which some 70 people lost their lives. And the FDA estimate that in the two years that the new law has been in effect, something like 50 drugs have been kept off the market which might have resulted in loss of life. All told, since June 25, 1938, there have been 4,638 new-drug applications, of which 1,711 have been granted.

Important as the tightening of health guards may be, greatest industry excitement has been occasioned by those provisions of the law which bring the cosmetic industry under the purview of the Food and Drug Administration for the first time, and which give the FDA (under the broad interpretative regulations) almost complete control over the packaging and labeling.

Hardly a food, drug, or cosmetic product can now wear the dress that was legal two years ago. In the first place, most labels must carry a great deal more information than formerly—name and address of manufacturer, accurate statement of contents, names of ingredients (not for cosmetics), adequate directions and warnings for drugs.

Question for industry has been, "What is an adequate warning?" Containers must not be deceptively formed—but who is to decide whether a perfume

THEY CAN'T STEAL BOTH



Thieves may steal your valuables. But they cannot take away the protection that a Standard burglary and robbery insurance policy provides.

When you have this protection — obtainable at surprisingly low cost — you have, in effect, another set of all that you insure. When losses are sustained from burglary, robbery, theft or larceny — these duplicates or their cash equivalents are yours.

Standard Accident of Detroit writes burglary and robbery insurance to cover your person, home and business — also protects against loss from embezzlement; forgery; automobile accident; injuries to self, employees, and the public; glass breakage; and similar hazards.

Consult your nearby Standard agent or broker.

STANDARD ACCIDENT INSURANCE COMPANY

Standard Service Satisfies . . . Since 1884

The Coach-Sleeper Starts Out on the Chicago-Seattle Run



ON EXHIBITION in Chicago's Union Station this week, the Pullman Co.'s new coach-sleepers will go into demonstration service next week on the Burlington-Great Northern Empire Builder, and the Burlington-Northern Pacific North Coast Limited, between Chicago and Seattle. The fare will be \$44.50—\$5 more than coach fare, and \$10 less than tourist car accommodations.

Though the chief appeal of the coach-sleeper is economy, comfort hasn't been sacrificed. The car accommodates 45, as compared with the regular Pullman capacity of 36.

It is divided into ten compartments—five of them seating three, and five seating six passengers. An aisle runs along one side of the car.

During the day passengers occupy adjustable, upholstered seats. At night berths, which are arranged in tiers of three, run crosswise. The lower is made up on the seat; the upper is stationary; and a middle berth, raised against the upper during the day, is let down between the other two. Each compartment is equipped with a wash-basin (which folds into the wall), and can be curtained from the aisle.

bottle is an object of art or a deceptive container? Labels must not be false or misleading in any respect—but what about division of doctors' opinion on medical claims?

Perplexed by questions such as these, manufacturers have gone through a period of great confusion. Help-help letters have poured into the Food and Drug Administration at the rate of about 5,000 a week, sometimes running as high as 9,000 a week.

FDA Obviates Misunderstandings

The most controversial questions were partly cleared up with the issuance of the regulations under which the act will be administered, and the FDA has from time to time issued clarifying interpretations. For example, labels must carry statements of differences of opinion only when the claims are contrary to the "material weight" of expert opinion. Trick type on labels is out, as are color combinations which render print illegible. Tiny labels on large bottles will not be accepted by the FDA as an excuse that there is no room for the information required. Labels will have to be enlarged even though they cover once-beautiful bottles.

Unaccustomed to federal regulation, cosmetic manufacturers have probably suffered most in redesigning containers

and labels. Food and drug manufacturers have worked with FDA for 30-odd years and were able to adjust themselves more quickly. Nevertheless, FDA feels that even cosmetic manufacturers have done, on the whole, a reasonably good job and that the period of gestation will prove to have been the law's hardest.

Coincidentally with the coming of complete effectiveness for the law, the FDA moves next week from the Department of Agriculture to the Federal Security Agency. Despite some trade-paper anguish over this move under the President's reorganization plan, FDA officials seem unperturbed.

Nevertheless, the move may serve to slow up any immediate label seizures. Another deterrent factor to any wholesale drive is the lack of funds. The FDA, which has a staff of around 900, operates on an appropriation of only two and a half million. Its first job is safeguarding the public health and Administrator Walter G. Campbell says he isn't going to let that job suffer in going after picayune label violators.

Regardless of the FDA's attitude, some trade observers say all will not be peaches and cream for the next six months. Their point is that the Administration has long had its eye on flagrant violators to keep it busy for some time, without setting the field men to digging up new cases.

Toothbrush Troubles

Sales fall off, and the market is disturbed over impending invasion by Pepsodent Co.

UNIT SALES of toothbrushes are off 3% this year, and dollar sales are off 13%. And toothbrush sellers feel sure that before times get better they will get worse. Reason: Despite lack of official announcement, powerful Pepsodent Co. is busily preparing to invade the toothbrush field and carve itself a slice of the market.

Nobody knows why people are buying fewer toothbrushes this year, but the decreased volume of dollar sales is easy to figure out. It's a matter of competition. Top unit in the industry is Weco Products Co., whose Dr. West brushes command 34.6% of the total volume, account for 37.7% of all toothbrush advertising. Then come Listerine's Prophylactic, sales 15.6%, advertising 20.2%; Johnson & Johnson's Tek, sales 14.1%, advertising 35.3%; Bristol-Myers' Double Duty, sales 2.1%, advertising 6.6%. "All others"—meaning the non-advertised brands—account for 33.6% of the total sales. A very few are high-price lines; most are low-price lines, sold not only on drug bargain counters but also in department stores and five-and-tens.

Aggressive merchandising, including

The Record

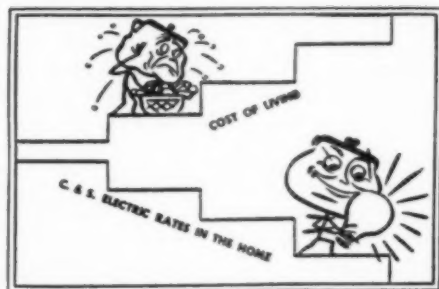
for **LOW Rates and MORE Electric Service**

LOWER RATES

The average rate for electric service in all homes in the United States during the year 1939 was **4.00c***
PER KILOWATT HOUR

Commonwealth & Southern's average rate for electric service in the home for the first three months of 1940 was **2.93c**
PER KILOWATT HOUR

Our average electric rate for homes has long been about **25% BELOW** the national average



Ever since the Commonwealth & Southern system was formed, eleven years ago, we have steadily reduced rates. This has been accomplished in the face of all rising costs in living, and despite steadily mounting costs of labor and materials, and despite ever increasing taxes which we pay to Local, State and Federal governments.

AND MORE USE

The average home use of electricity throughout the United States during the year 1939 was **897***
KILOWATT HOURS

In Commonwealth & Southern system, the average home use of electricity for the 12 months ended March 1940 was ... **1226**
KILOWATT HOURS

The average use in homes served by us has long been about **35% ABOVE** the national average

ELECTRICITY USED IN THE HOME

AVERAGE IN U. S.

AVERAGE IN C. & S. SYSTEM

With the formation of our System, we began an aggressive policy of encouraging wider use of electric appliances for labor saving and more conveniences in the home. We made them easy to own.

Our Companies have been producing progressively larger quantities of electricity and have been making it available at progressively lower rates for many years.

We thus help to make the American standard of living the highest in the world and help to lighten the work of housewives in an ever growing number of American homes.

* These are the latest figures published.

The Commonwealth & Southern Corporation

comprises the following electric operating companies

NORTHERN GROUP

Consumers Power Company (Michigan)
Central Illinois Light Company
Southern Indiana Gas and Electric Company
Ohio Edison Company
Pennsylvania Power Company

SOUTHERN GROUP

Alabama Power Company
Georgia Power Company
Gulf Power Company (Florida)
Mississippi Power Company
South Carolina Power Company



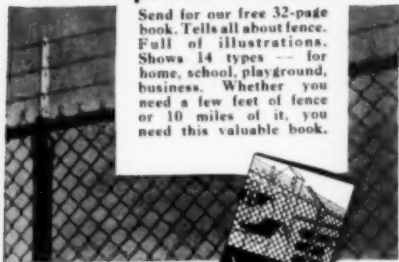
"Cyclone leads the field in sales...so their prices must be right"

"If you think that Cyclone Fence is high priced because of its reputation for quality, you're wrong. Cyclone sells most of its output to business men. They want top quality, but they expect prices to be in line with competition. Cyclone could never make so many sales unless they gave a lot for the money."

"You'll be better satisfied if you'll get the facts about Cyclone before you buy. It won't cost you a cent to get a Cyclone recommendation and an estimate. Why don't you call or write them now?"



Mail Coupon For FREE Book



Send for our free 32-page book. Tells all about fence. Full of illustrations. Shows 14 types — for home, school, playground, business. Whether you need a few feet of fence or 10 miles of it, you need this valuable book.

CYCLONE FENCE COMPANY
Waukegan, Ill., DEPT. 460
Please mail me, without obligation, a copy of "Your Fence—How to Choose It—How to Use It."

Name.....

Address.....

City..... State.....

I am interested in fencing: ☐ Industrial; ☐ Estate; ☐ Playground; ☐ Residence; ☐ School.
Approximatelyfeet

CYCLONE FENCE COMPANY
Waukegan, Ill.
Branches in Principal Cities
Standard Fence Company, Oakland, Calif.,
Pacific Coast Division
United States Steel Export Company, New York



Cyclone Fence

UNITED STATES STEEL

sales, deals, and price reductions, by advertised brands other than Dr. West has resulted in a generally lower price level, an increase in units sold, but a sizable shrinkage in dollar volume and profit margins. The unadvertised brands have lost heavily. During all the shooting, Weeco has firmly held its exton Miracle Tuft at 47¢ retail minimum, its hog-bristle Waterpruf at 25¢. Miracle Tuft is up 5% in both units and dollars over 1939, and Waterpruf has gained 28%.

Trade gossip has long credited Pepsodent with planning a broader line of products which it could advertise by some such collective term as "complete dental needs." Drug-trade kibitzers see the new toothbrush as a major step toward this goal, and are betting that Pepsodent goes after the middle sector of the market. General assumption is that the full force and know-how of Pepsodent dentifrice advertising and sales will push the new product immediately up among the leaders.

Symptom that Pepsodent itself is entirely confident of its ability to get a lot of business is the contract it is reported to have placed with Owens Staple Tied Brush Co. of Toledo—supposedly one of the largest orders for private-brand toothbrushes ever signed. The toothbrush folks bear down on sales, not on production. Prophylactic is the only big outfit making its own brushes. Dr. West is made by du Pont, Tek by Autograph of Troy, N. Y.

Keeping Apple Cart Steady

Still hanging over the industry is the question of what will happen next fall when Weeco's exclusive franchise for exton toothbrushes expires. Du Pont's announced policy as to brand names and resale prices was almost immediately knocked into a cocked hat by the Supreme Court's ethyl gasoline decision. But nylon-exton has not yet been declared a public utility that must be sold to all comers. Du Pont has one-third of all toothbrush production securely tucked into its toothbrush factory as long as it holds Dr. West, and also it makes a lot of miscellaneous brands. Best guess: Du Pont is unlikely to have a supply of synthetic bristles available for anybody who seems likely to attempt to kick over Weeco's stable-priced apple cart.

Ads Mirror the War

Defense-inspired copy is featured widely by business institutions and associations.

WAR TOOK THE SPOTLIGHT when members of the Advertising Federation of America got together in Chicago this week for their thirty-seventh annual meeting. Keynote for the convention was sounded by the Federation's chairman, Mason Britton, vice-chairman of McGraw-Hill Publish-

ing Co. Mr. Britton said that advertising would help finance the national defense program by keeping up the flow of everyday goods to consumers, and thus maintaining the widest possible tax base. He also said that business papers would tie in strongly with the defense program, and pointed to the defense committee that has been set up by Associated Business Papers.

In time out from consideration of advertising's problems, A.F.A. members elected a new president, Elon G. Borton, of La Salle Extension, succeeding Norman Rose. New chairman of the board is Paul Garrett, General Motors vice-president in charge of public relations.

Clash of Sentiments

The A.F.A. meeting was ushered in by a wave of war- and defense-inspired advertising reminiscent of the Liberty Bond splurges of 1917-18. First of the big ads by associations and individuals urging Americans to take a stand on war questions was that run in newspapers in six cities by the Committee to Defend America by Aiding the Allies (BW—Jun 15'40,p38). Although the ad was scheduled for only 18 metropolitan dailies, it has been repeated through local subscription in 150 papers. To combat such active interventionist sentiment (and the New Deal) a group of Republican politicians has formed the National Committee to Keep America Out of Foreign Wars and paid for newspaper space to urge the U. S. to "Stop the March to War."

In Washington, D. C., last Sunday, the National Association of Manufacturers ran newspaper ads headed "Industry Faces the Facts of National Defense," designed to persuade legislators and administrators to give business a free hand.

The Flag Instead of Products

Individual companies are plugging patriotism: E.g., the full-page three-color spread, showing the Stars and Stripes and captioned "God Bless America," run by Meier & Frank, Portland, Ore., department store on Memorial Day. New York City's Bloomingdale's took space for a similar ad on Flag Day.

Airplane manufacturers are pointing up their front-rank place in the defense program. Typical is Bell Aircraft's picture of its new Airacobra, captioned, "That Our Nation May Endure."

The Federation took further encouragement from Media Records and Publishers' Information Bureau reports on advertising lineage in newspapers and magazines for the first five months of 1940. Newspapers showed a 3.5% rise over the same period in 1939, and the figure for May alone was almost double this—6.7%. National monthly magazines gained 3.9% in revenue in the five months—6.7% in June. Radio showed the biggest gain. Time sales over the three national networks increased 15% in the five months; 13% in May.

Sure-Jell Trust Suit

Mutual Citrus Products Co. seeking triple damages totaling \$14,750 from General Foods.

ARGING THAT SALES of its pectin products have been hurt by special offers—equivalent to price cuts—on General Foods Corp.'s Sure-Jell in some western states, Mutual Citrus Products Co., Inc., has brought suit in a federal district court in California for triple damages totaling \$14,750 under the Robinson-Patman law. Interesting angle of the case is its bearing on the right of national manufacturers to make local price deals on their products.

Triple damages may be had under the antitrust laws by any individual injured by a conspiracy in restraint of trade. Practically the only one—certainly the only one attracting widespread public notice—since passage of the Robinson-Patman act was that brought by the National Union Radio Corp. against the Radio Corp. of America on the ground that RCA had put out metal tubes drastically underselling those of its licensees (BW—Nov 21 '36, p14). National Union failed to prove its case. More recently, the U. S. government tried to bring suit against 18 tire manufacturers in its own behalf, as a private litigant. The court threw the case out because the government was not a "person."

Mutual Citrus charges General Foods as guilty of price discrimination and other unfair trade practices under the Clayton and Robinson-Patman Acts in offering wholesalers a dozen packages of Sure-Jell free with every two dozen at \$2.10. General Foods says it was trying to build up sales in the West by giving customers an extra pack at 2¢ retail with every two packs bought at the regular price during the first weeks of the jelly-making season. Asserting it was not aiming at any one competitor, General Foods holds such offers are common business practice and charges Mutual has had combination deals on its own products.

Department Stores Gain

AN INCREASE of 5½% in sales in 1939 as compared with 1938 made possible a 65% gain in the profits of department stores, according to a report just released by the Harvard Bureau of Business Research under the sponsorship of the National Retail Dry Goods Association. Twentieth in an annual series—"Operating Results of Department and Specialty Stores"—the report is available for \$2.50 from the Harvard Bureau of Business Research, Soldiers Field, Boston. Though department stores of all sizes participated in the better profit showing in 1939, the most improvement, percentage-wise, was shown by small stores with sales of less than \$500,000.

FOR A LONGER WEARING FLOOR

Carey

INDUSTRIAL FLOORING



THIS modern, economical flooring is a scientific combination of asphalt, ground asbestos fibre and mineral filler. Very hard, dense and tough . . . its amazing wear-resistance has been fully demonstrated.

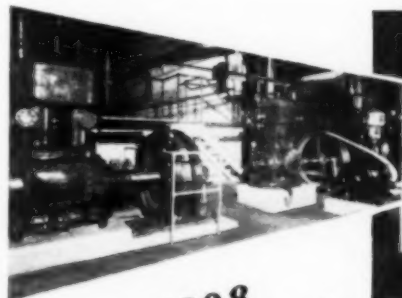
CAREY Industrial Flooring provides a durable, smooth, safe trucking surface . . . a silent, resilient floor that contributes to the health and efficiency of workers. It is less susceptible to temperature changes than other asphaltic flooring—unaffected by fumes—vermin and termite-proof—does not crumble under heavy traffic. When submerged under flood water, this flooring did not swell, warp, buckle, shrink.

CAREY Industrial Flooring is made in convenient, standard size . . . Easy to lay by ordinary labor—easy to repair if damaged. Write for detailed information—address Dept. 29.

THE PHILIP CAREY COMPANY · Lockland, Cincinnati, Ohio

Dependable Products Since 1873

BRANCHES IN PRINCIPAL CITIES



**"Since 1898
we have bought
compressors
from no other
concern," writes
this user of**



The Lynchburg (Va.) Diamond Ice Factory makes 100 tons of ice daily and holds 800,000 cu. ft. of cold storage space using five Frick refrigerating machines.

T. J. O'Brien, president of the concern, writes, "Probably the most convincing evidence of our satisfaction is the fact that over a period of more than 40 years we have bought compressors from no other concern".

Let Frick dependability and Frick power savings aid in solving the refrigerating, ice-making, or air conditioning problems of your business. Write

FRICK COMPANY, Waynesboro, Penna.

Refrigeration

PAINT

Cleveland; An Earth-covering Implement;
and a "Covers the Earth" Emblem.



Cleveland, home of many and varied industries, is justly proud of a famous industrial son that has taken her name as its own. All over the world, The Cleveland Tractor Co., and its famous "Cletrac" is a familiar name. Yet many a Clevelander is unaware of the fact that wherever the "Cletrac" breaks sod, dumps dirt, shovels ground, or performs any of its amazingly diversified chores, it carries another famous Cleveland name and another famous trade mark—"Sherwin-Williams" and "Covers the Earth".

For years Cletrac Gas and Diesel Tractors were finished in a bright Sherwin-Williams Spar Varnish Enamel. When S-W engineers developed Kem Transport and with it a more rapid-drying and durable and dust-resistant finish, the possibilities of a progressively better finish were immediately explained to "Cletrac" engineers.

Here was a case where a new type of finish, at almost double the price per gallon of the old, immediately proved itself to be much lower in actual cost. The more rapid drying, especially during weather when artificial heat was not available, led to greatly reduced costs. And in addition, as the Cleveland people say, "Opacity, leveling, lustre, fullness, toughness, durability and eye appeal were improved, as well as freedom from dust and reduction in floor space required for drying."

The materials, methods, mutual and continuous cooperation have practically eliminated paint troubles. There is nothing but praise for the finish from distributors and customers—complaints are almost unknown. This is an unusual condition for a product that does its work in the rugged way and rugged atmosphere "Cletrac" encounters.

Sherwin-Williams finishing engineers assist in bang-up jobs of this sort, because the tremendously wide experience of the laboratories of the world's largest paint, lacquer and varnish makers is at their constant demand. It's a tractor today, a typewriter tomorrow. Your product, in all probability, fits into this scheme of things, this S-W scheme of lower costs and higher sales through better industrial finishes. We'd like to assist, and in most cases we can. Write The Sherwin-Williams Company, Cleveland, Ohio.

**SHERWIN-
WILLIAMS**
INDUSTRIAL FINISHES



PRODUCTION

PRODUCTS • PLANT • PROCESSES

Lard's Life Extended

New keeping qualities are obtained by Swift through use of a gum from Latin America.

JULY 8 WAS THE DATE originally set for the big packing house of Swift & Co. to unveil its new age-defying, shelf-proof lard. Meanwhile, the Department of Agriculture called a Washington meeting of lard producers, consumers, and scientists last week to discuss a proposed redefinition of lard under the Meat Inspection Act, and Swift decided to jump its own gun by three weeks.

The new lard, which will be labeled "New Bland Silver Leaf Brand Pure Lard," is the product of a ten-year laboratory search for a substance which would protect the rendered fats against the effects of oxygen in the air, guarding the growth-promoting and eczema-preventing linoleic acid constituent, and extending the life of lard on dealers' shelves and in housewives' cupboards by at least three times without refrigeration. The substance is gum guaiac (pronounced gwy-ak), an extract of the sap of the guaiacum tree which flourishes in the West Indies and Central America and has been introduced to Florida. Best of it is that less than a tenth of a per cent of the gum (already used as an anti-oxidant in other branches of food technology)

does the trick without altering the flavor or aroma of the lard.

The new definition of lard proposed by Agriculture would require that lard sold under federal inspection could be rendered only from "fresh, clean, sound, fatty tissues from hogs in good health at the time of slaughter, with or without lard stearin or hardened lard." Excluded from this classification would be bones, skin, organs, windpipes, large blood vessels, scrap fat, skimmings, and settlings. Lard rendered from such fats would be required to be marketed as "edible rendered hog fat," "pork fat shortening," or under some similar designation.

Groups Make Their Points

Institute of American Meat Packers agreed that redefinition might be desirable, but took the position that lard quality could be regulated more advantageously by manufacturing processes than by division of quality of raw materials. Agriculture's Bureau of Home Economics reported numerous cooking tests which had disclosed a lack of uniformity in lard quality. Consumer groups objected to the use of the word "shortening" for any second grade on the ground that this word is associated with top quality vegetable shortenings used as lard substitutes. Scientists pleaded for more time for research on the whole question. Further conferences will probably be held

Traveling Telephone Booths



This is a "telemobile"—a specially-built motor coach, with five sound-proof telephone booths in it, which got its first work-out last week at the Yankee Stadium in New York, during the Louis-Godoy fight. The tele-

mobile can be connected with either underground cables or overhead wires, and is designed to supplement regular phone facilities at social, sporting, or political events—as well as in emergencies.

before any final decision on definition.

Swift's decision to jump the gun arose from the fact that its scientists and technicians believe they have the answer to uniform lard quality in their guaiac discovery without further conferences. To them it is not a question of the location of the fat on the porker, but the care in processing and the addition of the antioxidant. Roughly speaking, lard is a combination of glycerin, stearic acid, oleic acid, and linoleic acid. All three acids consist, among other things, of chains of carbon atoms.

The oleic and linoleic carbon atoms are apparently more susceptible to the blandishments of oxygen atoms than those of stearic acid. By protecting these unstable atoms with minute quantities of gum guaiac, the scientists achieve keeping qualities of "vital importance to all housewives, grocers, meat dealers, chefs, and bakers, as well as to more than 4,000,000 American hog producers."

Chief reason, beside excellent advertising and merchandising, for the recent popularity of vegetable shortenings has been their keeping qualities. Lard has trailed because it required refrigeration and special handling. Now the lard proponents say they have added keeping qualities, odorlessness, and bland flavor to the previous advantages of high digestibility, high shortening power, high energy value, plasticity at low temperatures, and the vitamin-like qualities of linoleic acid.

Promotion and sales will start within a month or six weeks, with initial efforts confined to "one major test area."

—Wherever She Goes

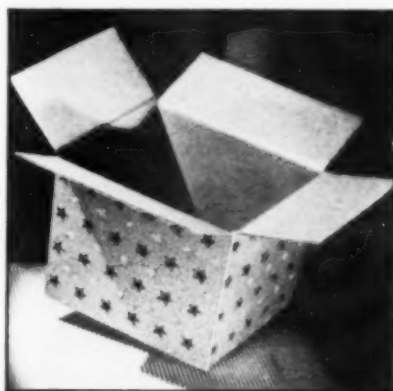


Big little-radio news is the pint-size "Personal Radio" developed by RCA-Victor. Playable anywhere, but to be sold initially in the New York area only, the instrument combines four miniature tubes, a loudspeaker, a loop antenna, and two batteries in one 4-lb. unit.

NEW PRODUCTS

Colorgated Corrugated

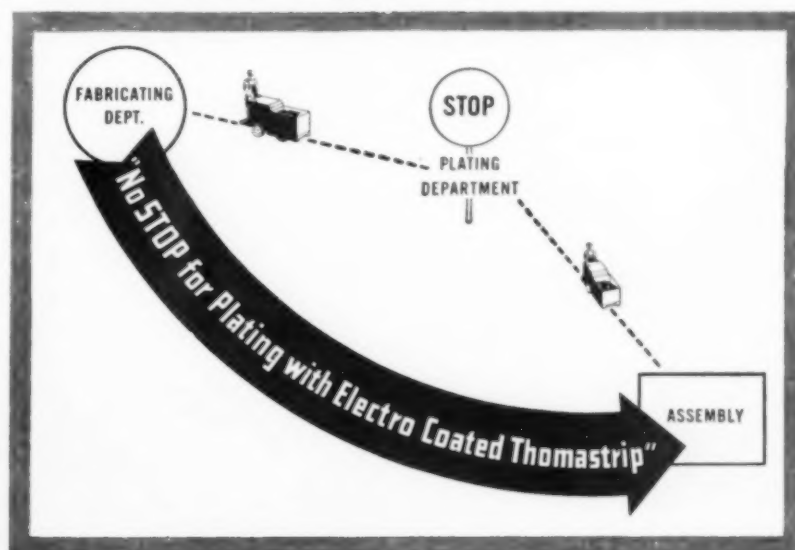
PREPACKED merchandise is increasingly demanded by department stores and retailers generally, because it minimizes costly extra packing and handling. To assist manufacturers in satisfying this demand with attractive corrugated board



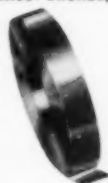
packages, United Container Co., Philadelphia, has developed Colorgated Corrugated Boards in any weight, size, and color. A new printing process provides as many as six colors economically in a single run. There will be a complete line of stock boxes printed in patterns similar to holiday wrapping papers.

Synthetic Adhesives

THE COMPARATIVELY new material used as sandwich filling in safety glass is now being produced in the form of several "Polyvinyl Acetate Emulsions" of various viscosities by R. & H. Chemicals Dept., E. I. du Pont de Nemours & Co., Wilmington, Del. They are described as "excellent adhesives, having strong bonding action between a wide variety of materials such as metals, cellulose products, leather, cork, and cloth. They may be easily diluted to any desired concentration in water and are miscible with rubber latex, starch, and certain wax



BRIGHT FINISH
UNCOATED, AND
ELECTRO COATED WITH
NICKEL, ZINC, COPPER,
BRASS, BRONZE, TIN



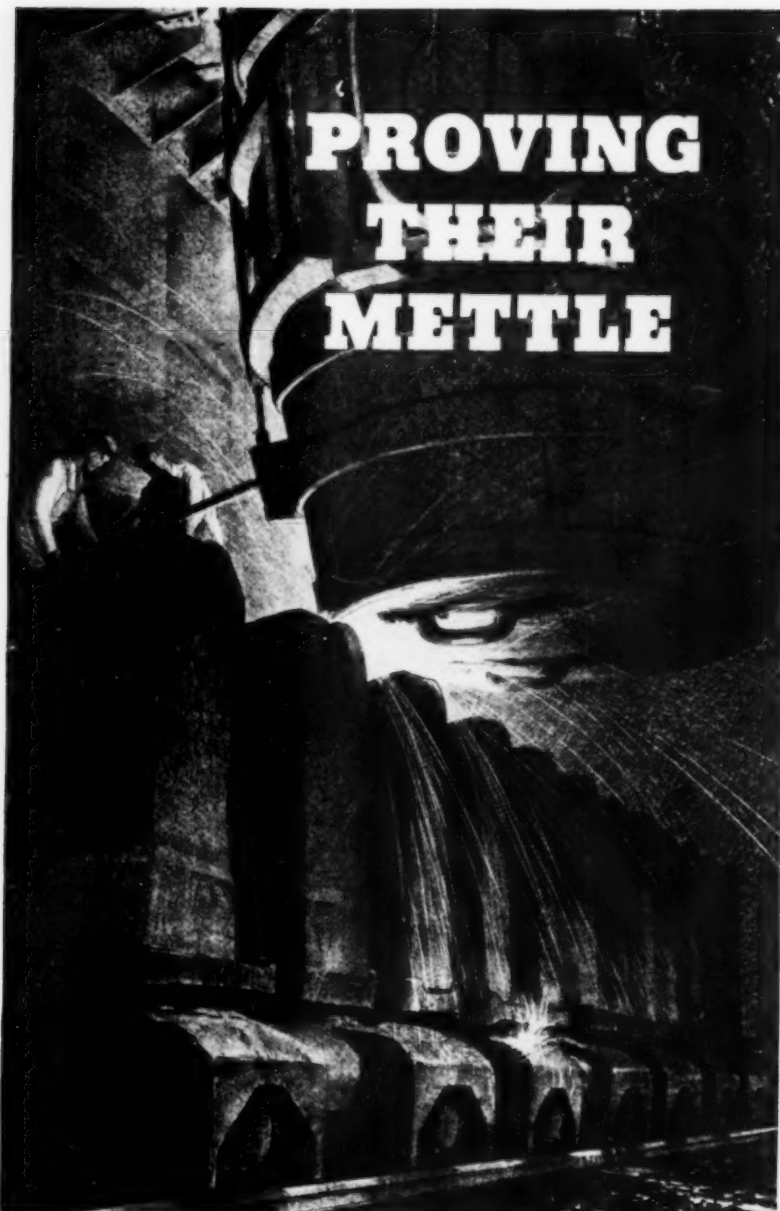
COLD ROLLED

Less Handling of Parts With

ELECTRO COATED **Thomastrip**
COLD ROLLED STRIP STEEL

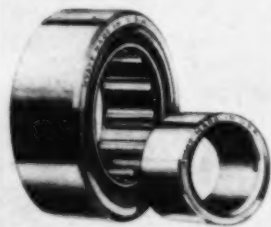
When you use electro coated Thomastrip, plating operations in your plant may be entirely eliminated. After the parts are formed they move directly to the assembly department, uninterrupted by costly handling and delays for plating. One or more of the many Thomastrip electro coated finishes may prove profitable to you. They will not flake nor peel.

THE THOMAS STEEL CO.
SPECIALIZED PRODUCERS OF COLD ROLLED STRIP STEEL
WARREN, OHIO



Lithographed on stone by James E. Allen

UNDER CRUSHING LOADS of molten steel, in scorching heat... Hyatts still run cool, smoothly and enduringly! In ingot cars, cranes, and table rollers—in all torturous steel mill assignments—Hyatts keep equipment working...survive where others fail! Everywhere Hyatt Roller Bearings are proving their mettle...in mill and mine, on highways, railways and farms...and assure smooth, dependable operation and longer equipment life! Hyatts are ready to work for you! Hyatt Bearings Division, General Motors Sales Corporation, Harrison, New Jersey; Detroit, Chicago, Pittsburgh and San Francisco.

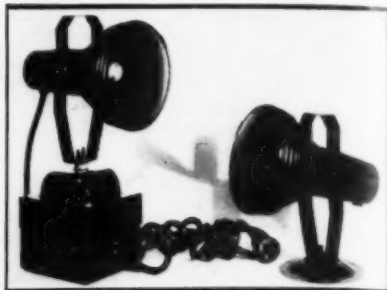


HYATT
ROLLER BEARINGS
QUIET

emulsions." Because they contain only water and resin, "it is possible to avoid the use of flammable, expensive, organic solvents."

Black Lights

DURING the past two or three years, several fluorescent paints, inks, and dyes have come on the market and with them



ultra-violet ray sources to make the colors glow in the dark. Newest are the Conti-Glo Black Lights for spotlighting and floodlighting comparatively large areas with ultra-violet, developed by Continental Lithograph Corp., 72nd St. at St. Clair Ave., Cleveland. At the left is a portable model ready to be plugged in; at right, a model for permanent installation.

Electronic Controller

INSTEAD OF MOTORS, depressor bars, toggle switches, and other mechanical linkages, the new Bristol Electronic Pyrometer Controller uses an electronic circuit with a single high-output vacuum tube. The Bristol Co., Waterbury, Conn., reports that the pointer of the pyrometer is thus not retarded at any time and that extreme sensitivity is the result.

Super Sight

ALTHOUGH designed for first aid and hospital use, the new Super Sight may also



be used for precision machine and inspection work. In it, Boyer-Campbell Co., 6540 Antoine St., Detroit, combines a large magnifying lens, an electric light, and a mounting clamp readily attachable to work table, bed, chair, or machine tool.

LABOR & MANAGEMENT

INDUSTRIAL RELATIONS · PERSONNEL · EXECUTIVE POLICY

Bridges Invades East

C.I.O.'s first intramural fight looms as longshore leader muscles in on wholesale employees' union.

WITH 80,000 DUES-paying members, the United Retail and Wholesale Employees Union is C.I.O.'s sixth largest unit and one of its most democratic. Paying its officers no fancy salaries, giving them no great publicity build-ups, it has grown the hard way. Unionizing an unorganized field without spectacular strikes or strong-arm methods, it has sold itself and its union contracts to such firms as R. H. Macy, Gimbel, Bloomingdale, and United Whelan Drug, and other top wholesalers and retailers in New York City where half of its strength is concentrated. With a membership potential of over a million workers in the nation's distributive trades

its ambition is to unionize Montgomery Ward and Sears, and continue its orderly growth. U.R.W.E.'s president, Samuel Wolchok, is comparatively unknown outside the labor movement.

Contrasted with U.R.W.E. is the International Longshoremen and Warehousemen's Union, 40,000 strong. Its meteoric rise on the West Coast was characterized by strikes and turbulence. San Francisco employers with whom it deals have identified it with work stoppages, consider it Communist. I.L.W.U.'s president is Harry Bridges.

Eager for "Vital Space"

Stymied on the West Coast by organized employers who stopped his heralded "march inland" in its tracks (*BW*—Apr 13'40, p.37), Bridges looked longingly at New York warehouse workers and wholesale men, asked the C.I.O. for permission to strip Wolchok of his wholesale section. Last week the C.I.O. Committee on Jurisdictions which heard Bridges' plea and Wolchok's rejoinder made its "award." Obviously eager to pacify both men, the committee said both groups could organize the unorganized, seemed to leave U.R.W.E. intact.

But as Wolchok was being congratulated upon his victory, he was interrupted by a telephone call from Joseph Curran, president of the National Maritime Union, and considered Bridges' East Coast mouthpiece. Curran informed Wolchok that Bridges was coming to New York and would meet with Eastern C.I.O. officials to map a campaign to organize Eastern wholesale and warehouse workers. Wolchok was invited to attend. Stupefied by the news, Wolchok entrained for Washington to get straight with the C.I.O. what right Bridges had to invade New York.

Enforcing Their Interpretations

This week, Wolchok was back in New York, grimly determined to keep his union together. Since C.I.O.'s Executive Board was not called back into special session to clarify the award, each man seemed to be free to interpret it as he saw fit. Until the C.I.O. convention, scheduled to meet in November, Bridges' interpretation is thus Bridges' law. Thus, a knock-down drag-out fight, the C.I.O.'s first intramural jurisdictional battle, has taken form.

Girding for battle, Wolchok can count on 34 of his 35 New York locals for loyal support. The 35th was the chink in his armor.

Local 65 of U.R.W.E. pays per capita tax on 5,300 members who work in New York wholesale warehouses. Its presi-



DO THE LONG DRIVES
GET YOU DOWN?
Then use
TRAIN-AUTO
Service

To your destination
by TRAIN—at your
destination an AUTO



Business men whose time
and energy mean money
are using TRAIN-AUTO Service.

They travel by train to the scene of action. There they step into a five-passenger current-model sedan, brought to the station in advance of their arrival by the Railway Extension agent. They avoid the nervous wear and tear of long distance driving, and use this car for local transportation as long as needed.

Returning by train, they arrive refreshed and relaxed—also having made worth-while savings in time and expense.

TRAIN-AUTO Service is now available at more than 150 cities of the west and south. Consult a railroad ticket agent or any traffic representative of the railroads shown below.



TRAIN-AUTO Service is offered by these railroads,
in cooperation with Railway Extension, Inc.
BURLINGTON LINES • CHICAGO AND EASTERN ILLINOIS
• CHICAGO, MILWAUKEE, ST. PAUL & PACIFIC • CHICAGO,
NORTH SHORE & MILWAUKEE • CHICAGO AND NORTH
WESTERN • CHICAGO, ST. PAUL, MINNEAPOLIS & OMAHA
• GREAT NORTHERN • ILLINOIS CENTRAL • NORTHERN
PACIFIC • ROCK ISLAND LINES • SANTA FE SYSTEM LINES
UNION PACIFIC RAILROAD

Copyright 1944, Trans-Continental Passenger Association

Spotting the Enemy

**WHO IS
THIS MAN??**



He LOOKS like an American.

He DRESSES like an American.

He SPEAKS the same language as Americans.

But...

HE HATES American Democracy and maintains that it is despotic.

HE HATES Union of working people because they are symbols of democracy in action.

HE SNEERS at the sacred liberties of the American people.

HE SPREADS alleged hatred among Protestants, Catholics and Jews to destroy our democratic unity.

HE PAYS lip service to the American flag but his allegiance is to a foreign flag.

HE IMITATES his Nazi master by using Adolf Hitler as a predecessor for his betrayal of America.

HE AWAITES the day when a FOREIGN POWER "TAKES OVER" AMERICA AND "HITLER" REPLACES "GOD BLESS AMERICA!"

Who Is This Man??

**HE IS A FIFTH COLUMNIST!!
DON'T TRUST HIM!!**

THE LEAGUE FOR HUMAN RIGHTS, FREEDOM AND DEMOCRACY

WILLIAM GREEN, Executive President

MATTHEW WOLL, President

DAVID DUBINSKY, Vice-President

WILLIAM T. MANDREY, Treasurer

EDWARD F. HUBBARD, Secretary

Designed to rally the labor movement behind the national campaign to identify and immobilize American fifth columnists, the League for Human Rights, Freedom and Democracy began distribution last week of thousands of these posters. First outlet, for display purposes, was 1,000 union halls. The League is backed by such No. 1 trade union officials as Green and Woll, who are president and vice-president respectively of the A.F.L., and David Dubinsky, chief of 250,000 organized ladies' garment workers.

dent, Arthur Osman, runs with the Bridges and Curran. Ambitious, he has most of the U.R.W.E. officials convinced that he will turn his local over to Bridges in return for a vice-presidency, hoping thus to break U.R.W.E. apart, create an opportunity for himself to be top dog in the Eastern distributive field.

Unions Line Up on Issue

Wolchok must decide whether to go to the mat with Osman now or wait till he makes the first move. Strategy may be to make an issue of union support for Roosevelt (Osman has recently denounced Roosevelt as a war-monger and tool of Wall Street) and make Osman either pledge his loyalty to U.R.W.E. policies or force him out.

In the forthcoming fight, Wolchok will get the support of Sidney Hillman's Amalgamated Clothing Workers, Emil Rieve's Textile Workers Union, Bridges and Osman will have Curran's union, Michael Quill's Transport Workers, Rathborne's American Communications Association, Gold's Fur Workers Union. Apart from the line-up of New York's C.I.O. unions, Wolchok can count on the moral support of the city's A.F.L. with whom his union has been on friendly terms, and he likes to feel that employers would rather deal with him than Bridges.

Rival for I.L.G.W.U.

Dubinsky's return to the A.F.L. brings reprisals instead of peace move from the C.I.O.

THE RETURN of David Dubinsky's International Ladies' Garment Workers' Union to the A.F.L. on June 5 was widely hailed as a step in the direction of labor peace. The reasoning was (1) that such a move added 250,000 workers to the A.F.L. and should thereby increase the C.I.O.'s willingness to talk peace, and (2) that Dubinsky himself, regarded as the outstanding proponent of labor unity, would almost certainly return to his place on the A.F.L.'s Executive Council. But such calculations went awry last week when it was revealed that the effect of I.L.G.W.U.'s reaffiliation was to provoke the C.I.O. into retaliation.

Forgotten was the fact that the I.L.G.W.U. had contributed \$350,000 to the C.I.O.'s organizing fund, that it was an industrial union of purest ray serene. Remembering only that C.I.O. had been spurned, C.I.O.'s Executive Council empowered a committee to organize ladies' garment workers. Under other circumstances, an attempt to raid the I.L.G.W.U. membership would be ridiculous, but the C.I.O. is expecting to make capital of a new condition which has developed in the ladies' garment industry.

For years the stability of the industry's competitive structure and the position of the union have been disturbed by "run

From Bugler to Boss

AS AN INSTRUMENT, the trumpet is classified as both wind and brass. In contrast, trumpet players have a reputation of being on the meek side, for band men say a good trumpeter blows all his energy into his horn. In James C. Petrillo, an indifferent trumpet player who last week became the nation's No. 1 musician, the customary qualities of instrument and player are notably reversed. Lusty, brazen Mr. Petrillo is no soloist on the Hit Parade, no concert artist with Toscanini; he owes his eminence in the music world to his unanimous election by 135,000 musicians to the presidency of the American Federation of Musicians.

For those who believed that such unanimity smacked of totalitarian politics, there was "Jimmy the Czar's" career to examine. Born in 1892 on Chicago's tough west side, Petrillo learned to get on with the brass knuckle boys, learned to solace his Latin soul with the brass bugle. Newsboy, popcorn-and-peanut peddler, elevator operator, he found union politics a lush field for his talents and disposition and became vice-president of the Chicago musicians in 1920. Three years later, the man who is now known as "the Mussolini of Music" took over the Chicago local as president. He has been head man ever since.

For Culture and Jobs

Petrillo is hip-deep in local and state politics, reputedly hedges his political bets by contributing to all parties and factions. That such a policy pays was evidenced when the Kelly-Nash machine gave Petrillo a berth right next to the pork barrel on the powerful Chicago Park Board. Quick to capitalize his opportunity, he initiated free, open air concerts, sold himself as the "Enricher of Chicago's Cultural Life," got jobs for loyal musicians.

Under Petrillo's administration, music in the Windy City has become virtually 100% organized, as independent musicians who have tried to play Chicago dates can tell you. Thanks to that organization, which guarantees an annual take of \$250,000 in dues, the Chicago



James C. Petrillo

union has a bank account that is supposed to exceed \$1,000,000—big enough, at least, so that the union could without embarrassment rescue Boss Jimmy when he was strangely kidnapped three years ago and again when he got into a tangle with Uncle Sam's income tax collectors.

Petrillo succeeds Joseph N. Weber as national president. Weber, a Denver musician who helped organize the union forty years ago, often clashed with the Chicago leader over what he considered Petrillo's "high-handed tactics." But when the politically astute Petrillo "organized" the convention and voted Weber \$20,000 a year pension, there was nothing left for Weber but to submit to the naming of "Jimmy the Czar" as his successor.

It's a pretty good guess that Petrillo will now put his talents to work on a national scale. In store for the music and radio industry are the hard-hitting, mailed-fist tactics that put Chicago's 9,000 musicians to work in a closed shop. But then the industry isn't unprepared for the Petrillo onslaught. It had a taste of his tactics when he led the successful fight of the federation's 400 locals against the radio stations that were supplanting live talent shows with recorded broadcasts.

away" shops. This movement developed out of the desire of manufacturers to find locations where lower tax charges, power rates, and wage bills promised greater profits. Recently dress manufacturers have found the dead towns of the Pennsylvania anthracite region attractive. No longer active coal-producing centers, these areas have a reservoir of unemployed young men and women who make satisfactory garment workers. Because most of these young people are sons and daughters of coal miners who hold membership in John L. Lewis' United Mine Workers Union, the C.I.O. is counting on family loyalty to wean them away.

The C.I.O. has chartered its first ladies' garment workers local near Wilkesbarre,

and is expected to try to move in shortly on others. Dubinsky and other I.L.G.W.U. officials say they are not worried. They count on the fact that most of the work done in the Pennsylvania shops is sub-contracted out of New York factories which the union controls. The strategy of the defense against C.I.O. raids would be to stop, by striking if necessary, the New York shops from sending out work to sub-contractors who have been forced to desert the I.L.G.W.U.

The efficacy of such tactics is still untested, for Dubinsky will disturb the great New York market only when the C.I.O. gesture becomes substantial. Meanwhile, it is expected, the Dubinsky appetite for labor peace may be dulled.

STEEL GETS A *Facial*



FROM blast furnace to rolling mill, the production of steel calls for oil. In steel mills... as in most other industries... proper lubrication is vital to product and profits alike.

More and more industrial users of oil are turning to Texaco for their lubrication needs because they've found Texaco quality lubricants dependable, economical, efficient... because they need the speed and convenience of their nearby Texaco supply point... one of 2279 across the country.

THE TEXAS COMPANY

—in all
48 States



Towards Job Stability

Wisconsin employers tell of benefits from effort to save taxes under experience rating.

STRANGE BEDFELLOWS are a manufacturers' association and a federation of labor, a chamber of commerce, and the American Legion. Last week all four of these state-wide Wisconsin organizations bundled with the Industrial Commission to stage at Milwaukee a one-day Conference on Steadier Jobs.

To the astonishment of everybody including the sponsors, at least 1,200 Wisconsin employers and union officials, with a sprinkling of out-of-staters, jammed the Pfister Hotel's ballroom.

Sole topic was employment stabilization under the experience rating system of the state's unemployment insurance law, which rewards an employer who maintains stable employment by giving him a lower tax rate. Half a dozen speakers handled the subject in fairly general terms. But what brought out the crowd was a panel discussion—hours long—in which 14 Wisconsin manufacturers told exactly how they had stabilized employment to save taxes and had reaped supplementary benefits—decreased hiring and training expense, better morale, added sales ingenuity—that forced tax savings into comparative insignificance.

Their industries ranged from perishable foods and style clothing to machinery parts and heavy capital goods. Some nationally known names on the program: Trane, Phoenix Hosiery, Cudahy, James, Fairbanks-Morse, A. O. Smith, Twin Disc, Marathon, West Bend Aluminum.

Peak Work Evened Out

Typical methods:

Twin Disc Clutch Co., maker of parts to other manufacturers' specifications, figuratively tore down its numerous products to find those parts common to several customers' designs. Since then, the plant makes up these standard units during the low-shipment season, thus accomplishes in advance much of the busy season's work. Now most of the factory force works the year around.

Marathon Paper Mills make pulp and paper, convert these into products on special orders. The converting mills had sharp seasonal peaks because customers would not order ahead. Five years ago Marathon lopped off some peaks by guaranteeing prices to a few big customers in consideration of firm orders booked for slack seasons.

Training foremen in the theory, and training workers to fill several jobs, gave stabilization another boost. Setting the laboratories to find off-season products helped. Posting laid-off workers' unemployment benefit claims tabulated by departments put bosses on their toes. Swapping workers with a battery plant in dull

seasons took care of a few more people. Marathon has stepped up its stabilization factor from 21% in 1934 to 44% in 1937 and to 76% in 1939, with still better prospects for 1940.

West Bend Aluminum Co. believed back in '32, when the Wisconsin law was passed, that it had already stabilized. Then 61% of its people worked throughout the year. The top management took the ball from the plant management, found safe ways not only for carrying larger finished inventories but also for partially fabricating some goods in the off season. New lines were devised. Sales and production were intensively coordinated. Some customers now place advance orders merely to help. Other benefits far exceed tax economies, although for the past three years 100% of the workers have had year-round jobs and the company is paying no unemployment insurance tax, despite sales months varying from 64% to 140% of average.

Bridges' Union Curbed

Court restrains it from picketing Euclid Candy Co. in effort to strike at A.F.L.

IN ONE of the most sweeping labor injunctions ever granted in California, the C.I.O. International Longshoremen & Warehousemen's Union (Harry Bridges) was restrained last week from picketing and boycotting the Euclid Candy Co., San Francisco. The court order was the result of a C.I.O.-A.F.L. jurisdictional scrap which threatened for a time to upset the entire system of contractual relationships established in the city by the San Francisco Employers' Council. The Council fought the union boycott with its unusual "buy-cott the boycott" appeal (*BW*—Jun 1 '40, p.40).

The injunction is a major setback for the aggressive Bridges group, which had attempted to raid the A.F.L. confectionery workers' union—with which Euclid has a contract—as a "feeler" for wholesale raids on the A.F.L. in San Francisco.

Court Becomes Eye-Witness

During the hearings before Superior Court Judge Frank T. Deasy, Euclid Candy Co., with the advice and support of the Employers' Council, introduced several reels of movies showing I.L.W.U. picket lines at the Euclid plant to prove charges of violence.

This technique apparently had an important influence on the court's decision. The court held that, while peaceful picketing and boycotting are legal under the Constitution, the element of violence in the Euclid case makes it "one continuous . . . scheme pervaded with menace" and therefore illegal.

Incidentally, the I.L.W.U. had promoted a nationwide C.I.O. boycott of Euclid products, and the court ordered

the union to rescind it through the same methods by which it was instituted.

The injunction is unusual, too, because it charges the Bridges clique with "the most contemptuous disdain and utter hatred of the Constitution" expressed at the hearing by "strikers and affiliates of the union" in statements "too vile to quote." These statements were made a part of the record.

The union has given no indication of following its usual procedure of appealing the superior court's ruling.

Relief vs. Pensions

Colorado business fighting proposed tax on intangibles, sponsored by Annuity League.

COLORADO BUSINESS is up in arms over a tax amendment sponsored by the National Annuity League, old-age pension organization. If adopted by the voters next November, the proposal will mean a state tax of \$5 to \$10 (to be determined by the legislature) on each \$1,000 of intangible personal property, with an exemption of \$3,000 for each owner. Insurance policies and non-interest-bearing accounts receivable would be exempt.

Net revenue from the tax would be used, "in the following order," for (1) direct relief, (2) matching federal grants in aid for welfare purposes, and (3) "replacement of the state levy on homes or farms occupied by the owner" or "for educational purposes."

Opponents warn the public that there never will be any money for No. 3 if the amendment passes.

Generous to Pensioners

Behind the amendment is a continuing crisis over old-age pensions in Colorado. The state's pension amendment (which went into effect Jan. 1, 1937) took the money that had been going for general relief and put it into the pension fund. The state is now contributing only about \$3 a person for relief against \$6 in 1936. (Relief payments average about \$7 per person a month, against pensions of \$30 to \$40, the highest in the country.)

Early in the year, a state court held that the age pensions could not be legally cut or prorated according to money the state has on hand, that the state owed about \$10,000,000 in back pensions.

The pensioners hope that their tax on intangibles will free them from the onus of this relief situation.

Leading the fight against the proposed tax, a committee of the Denver Chamber of Commerce has warned that the amendment "would tend not only to close the capital market to Colorado residents and industries but also would destroy the values of Colorado securities now outstanding because of the widespread liquidation of stocks and bonds of Colorado corporations and of notes and

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mortgages secured by Colorado prop-
erty."
The small homeowner . . . who now
has a loan on his home will be required
to pay from 1/2% to 1% more than he is
paying," the C. of C. also warns.
Sam Jones, Jr., Pueblo business man,
has become chairman of an organization
that has established headquarters in Den-
ver to fight the tax.

Picket Lines in Reno

**Employers Council similar
to San Francisco's combats auto
mechanics' closed shop drive.**

THERE WAS HIGH EXCITEMENT last week
in "the biggest little city in the world,"
where labor troubles rarely disturb rou-
tine pastimes. Last week, however, nine
picket lines were operating within the
city and others were threatened to push
closed shop demands. Among firms pick-
eted were Sears, Roebuck & Co. and the
W. Woolworth Co.

The trouble wasn't unexpected, for
the Nevada Supreme Court invali-
dated Reno's anti-picketing ordinance,
and Nevada employers readied themselves for
closed shop *putsch* and formed the
Reno Employers Council, a "boss union"
patterned after the San Francisco Em-
ployers Council.

Up to a couple of weeks ago, skir-
ishes had been aimed at capturing pub-
lic favor, but last week the issue was
brought into the open when the year-old
auto mechanics' local demanded a 25%
wage boost and complete unionization of
automobile sales and service firms. The
Reno Motor Dealers Association, member
of the Reno Employers Council (rep-
resenting 160 Reno firms), responded by
demanding negotiations on an industry-
wide basis. Counting a non-union ma-
jority among their employees, the motor
dealers declined a closed shop contract.
On the other hand, the mechanics' local
whose president, H. F. Hansen, is him-
self a motor repair shop owner) claims a
wide majority.

Challenged to Debate

Because the public might react unfav-
orably if all shops were boycotted, only
two shops were picketed. One of them
was Brown Motors, operated by T. H.
Brown, head of the motor dealers' as-
sociation. The 43 other auto firms which
were taken a similar stand were in line
for attention.

Tempers flared a few days ago, after
radio talks and an employers' full-page
newspaper advertisement declared the
situation "un-American." Paul M. Peter-
sen, chief union strategist, countered by
challenging the employers' No. 1 tacti-
cian, W. M. Caldwell, to a radio debate.

Reno business men have been framing
a new anti-picketing ordinance they hope
to rush through the city council.

Canadian Wagner Act

**Labor's right to organize
without restraint is affirmed by
Order in Council at Ottawa.**

IS A MID for labor support in the great
war effort which it anticipates, Canada
last week proclaimed through an Order
in Council what is in effect a "Wagner
Act" for the Dominion. The right of
labor to organize in unions of its own
choosing, free from any employer in-
fluence, and the basic right of collective
bargaining are laid down as the funda-
mental principles necessary to avoid
labor unrest and work stoppages.

The proclamation of principles which
in the government's view should govern
labor relations in the present emergency
is part of the general plan of national
mobilization. It is by way of ministerial
advice to employers and employed, and
the principles set forth are not in the
nature of arbitrary regulations. Never-
theless, the government has ample au-
thority under the War Measures Act
(BW—May 11 '40, p. 29) and the new act
for mobilization of human and material
resources to enforce its views. The main
features of the Ottawa plan of labor
relations in war time are:

(1) Fair and reasonable standards of
wages and working conditions, with
temporary adjustments in remuneration
necessitated by war conditions to be in
the form of bonuses.

(2) Additional work shifts rather
than extended hours of labor on war
work in order to safeguard health of
workers and maintain output.

Minimizing Work Stoppage

(3) Interruption of production and
distribution through strikes or lockouts
to be avoided; government intervention
for settlement of disputes to be sought.

(4) Complete freedom of workers to
organize and recognition of their right
to negotiate wages, hours, and working
conditions through their own union
officials.

(5) Workers to avoid coercion in
seeking to extend the membership of
their organizations.

(6) Any alteration of labor conditions
for the purpose of speeding up wartime
production to be arranged by agreement
and to be for the emergency period
only.

The proclamation urges industry to
make greater use of the trade union
agencies in meeting their labor require-
ments and also to have recourse to the
unemployment service offices of the
country. The few labor disputes which
have occurred in industry engaged in
war production in Canada have been
settled quickly, some of them by shelv-
ing the labor grievance owing to the war
emergency, and some by prompt agree-
ment between employers and workers.



THE MAN AT THE THROTTLE



● You can't learn to
run a locomotive in
"three easy lessons."

Here's how they
often do it on the
Erie: Start in the

shops at the bottom, perhaps as
a machinist helper or engine
wiper; then get a job as fireman
for 14 or 15 years; now you're
ready to run a freight locomotive!

After six or eight years' service
you may be promoted to the
post of passenger engineer. That
means generally a total of about
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Erie engineers all learned their
jobs the hard, practical, efficient
way. And each must pass rigid,
periodic physical examinations.
That's why many have piloted
trains over a million miles with-
out a single accident. That's why
Erie freight and passenger
trains are handled smoothly,
safely, and on time.

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... between New York, Bing-
hamton, Elmira, Buffalo, Youngstown,
Akron, and Chicago the Erie offers
air-conditioned passenger service over
carefully maintained track that makes
traveling a pleasure. It's smooth
going every mile. Excellent meals,
too, at moderate prices.



MONEY AND THE MARKETS

FINANCE · SECURITIES · COMMODITIES

Selling Stocks, Supermarket Style

Merrill Lynch, E. A. Pierce & Cassatt takes a hint from the chains, adopts mass volume methods to cut costs, ranging from \$2.89 to \$26.15 per transaction.

IF YOU, IN YOUR BUSINESS, had to maintain a staff capable of handling five or six times as much business as you were actually doing, you would justifiably be concerned about your overhead. And if you had to do business at a fixed price, you might reasonably figure that you were over the familiar barrel.

That's just the spot everybody in the securities business has been in for years. Needless to say, they all would lend an attentive ear to just about any plausible plan for rubbing some of the red ink off the ledger. Thus it's no surprise that extensive studies now being made by Merrill Lynch, E. A. Pierce & Cassatt, one of the largest New York Stock Exchange firms, are attracting particular attention.

This firm was formed early this year (BW—Feb. 3, 40, p. 47) through consolidation of E. A. Pierce & Co., one of the largest commission brokers in stocks and commodities, with two of the old underwriting houses, Merrill Lynch & Co., and Cassatt & Co. The firm determined at once to do what it could to win customers by inspiring public confidence. Meanwhile, an equally diligent effort is being made to analyze costs and to see what can be done about them.

Nothing would be more annoying to smallish, soft-spoken Charles E. Merrill than to be set up as the man who has the answers to Wall Street's woes. He hasn't any pat answers; he doesn't pretend that he is going to arrive at them. Yet he is the central figure in the program, and a glimpse of his background lends insight into the reasons.

Charlie Merrill came to Wall Street in 1909 and, over the ensuing two decades, his underwriting house played the outstanding rôle in financing of the country's chain-store growth. He had unbounded confidence in the chains, and it goes without saying that he learned their methods from A to Z. That he has been content to stick to the financial sidelines for

nearly a decade doesn't for a moment imply that he forgot his chain experience, for he is now carrying pertinent principles over into the securities business.

Typical of Mr. Merrill's method is his contention that any grocery store is a supermarket—even though it may have only three or four employees—if it is getting a unit volume per employee and a profit per unit equivalent to that of a supermarket. This, clearly enough, is basic also in the brokerage business, and it is a standard which is designed to keep managers of the firm's 39 offices on their toes.

Transaction Costs Studied

Definition of the theory doesn't mean much, however, unless a system is developed to show which offices average up to reasonable expectations on costs. To get at these data, the firm prepares weekly analyses of completed transactions in each office. (Incidentally, they find that there are about 20 steps involved in completion of every order, and that an office has to go through seven unproductive processes, such as reports to the SEC, for each transaction it completes.) Then, the number of completed transactions is compared with both income produced and cost entailed.

In one recent week, when trading was in the doldrums, the best showing made was by an office that had total costs (salaries, rents, etc.) of \$2.89 per completed transaction and the poorest, \$26.15. Obviously, such extreme variations are misleading. By eliminating the three best and the three poorest showings, the spread becomes \$4.27 to \$13.61—still pretty startling.

Mr. Merrill explains that the firm already has discovered many factors beyond an individual office's control which distort these and other figures derived from the same data. He admits, too, that there is no telling what standards can be derived from these studies. However, it is obvious that some interesting facts on relation of securities volume to costs are evolving, and that office managers will shortly have a better knowledge of how they should come out.

In other directions, the firm has made several changes which are significant

even though they are not all "firsts." For example, partners are put pretty much in the place of stockholders. They have been made department heads and only people working in their departments are responsible to them. If an office manager outranks a resident partner in experience, the manager probably will get a bigger salary and make final decisions.

The firm also decided, after having an outside survey made, that there is no need for "club room" offices inasmuch as 85% of its business comes in by telephone. Another decision is to increase the amount of factual material made available to customers but to give opinions only on request and then only after approval of a partner. If the firm provides analytical reports on a security in which it is interested as an underwriter, it not only will reveal that fact but the amount of its interest as well.

Clientèle Classified As to Aim

The firm also decided to make fairly extensive changes in the handling of its customers' men. For one thing, it adopted the idea of fixed salaries rather than compensation fluctuating with the amount of earnings the customers' man produced for the firm. This has been extensively tested by brokers in the past, with wide differences of opinion on results.

More novel was the plan, devised after studying customers in what was picked as perhaps a typical branch-office city, of classifying clients by investment objectives and other factors. The idea is to assign them to customers' men best able to help them rather than leaving them with the man who originates the business.

Don't ask partners in the firm how it will all turn out. All they have to say is that they think the organization they are building will be suited to a far-flung business such as they do. And they'll tell you that many a small firm may have advantages in certain specialties with which the big firm can't compete. They're just trying to fit their job to 1940 instead of 1925 or 1930.

Small Loan Plan Hit

Russell Sage memorandum criticizes Vee Bee system; American Surety Co. defends it.

A BRAND NEW STORM in the usually tempestuous small loan field was unleashed this week when the Russell Sage Foundation mailed to banking authorities a critical memorandum on the Vee Bee Bank System. Vee Bee is a year-old personal-loan plan, now used by some 50 commercial banks in seven states, facilitating lending in amounts less than \$1,000 without collateral, endorsement, or co-makers.

Sponsor of the plan is American

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all "firsts," put pretty old. They t heads and department in office man- rtner in ex- ly will get al decisions r having at there is no s inasmuch in by tele to increase erial made give opin- only after e firm pro- a security an under- t fact as well.

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Surety Co. Officers of the company see in it new wrinkles which make it easier for the borrower to get money when he needs it, which aid the bank in building a larger small loan portfolio, and which protect the bank from credit losses in all but very unusual circumstances.

Suppose the Hometown State Bank lends \$100. It usually deducts in advance \$6 on \$100 for personal loans, so that's its charge on this business. Then, under the Vee Bee plan, the borrower

pays the surety company \$5 additional. Of this charge, \$2 is to meet American Surety's expenses and the other \$3 provides the surety company with funds for whatever obligation it incurs on unpaid loans.

If the loan is repayable in 12 monthly instalments, the amount which the bank collects is equivalent to a little under 12% simple interest. The borrower pays the surety company \$5 for providing him with what might be regarded as

collateral. And this "surety collateral" covers the bank for any but unusual losses.

The Sage Foundation, which long has specialized in consumer credit problems, questions the legality of the total amount which the borrower pays under the Vee Bee system. Clearly the bank collects no more interest than is permitted by state law, so it boils down to a question of whether the bank is resorting to subterfuge through the surety

Stocks Waver; Jam in New Issues Broken

THERE WAS PLENTY to occupy the attention of the financial markets this week but little enough to clarify price trends. There was, for example, the balloting for a G.O.P. standard bearer (not to mention the boomlet in utility shares in response to Willkie's popularity). There was a long list of railroad reports which bespoke marked improvement in earnings. There was an unusual concentration of news on railroad equipment purchases. There was a small decline in steel operations and at least a temporary reversal in the protracted uptrend in steel scrap prices. And there was the first public offering of a large bond issue since the \$75,000,000 flotation for U. S. Steel the middle of May.

Yet none of these can be said to have had any striking influence on stock prices. The midweek dip in quotations may be ascribed largely to apathy because there was not the volume to indicate much selling pressure. Above all else, traders didn't want to buy until they could see how the Battle of Britain was going to develop.

Contributing, too, was the disinclin-

ation of investors to "reach" for stocks. Many investment advisers had counseled a waiting attitude, and this accentuated the lack of support at recently prevailing prices.

Nevertheless, successful public offering of \$38,000,000 of 3½% bonds for Jersey Central Power & Light gave evidence that there's still some life in the investment market. The bonds were between 85% and 90% sold within two days. This despite the fact that the large insurance companies, perhaps motivated by the downtrend in stocks, held off in the apparent hope of getting some of the bonds a bit cheaper later.

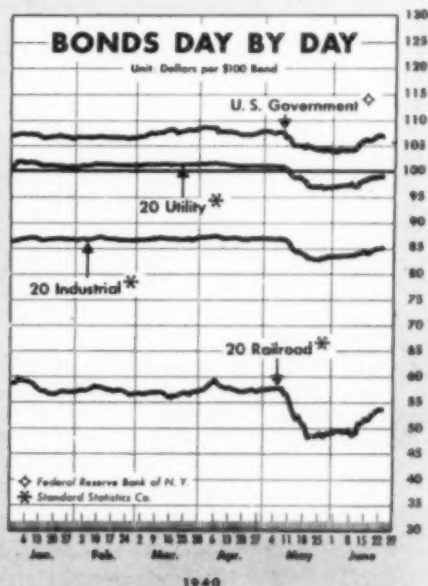
Other Offerings Stimulated

This flotation breaks the log jam (BW—June 8, p. 56) which has existed so far as public offerings are concerned for about six weeks. Just as the period immediately following outbreak of war last fall was barren of public sales, the recent past has seen nothing important in this line aside from a few private placements with the large life insurance companies.

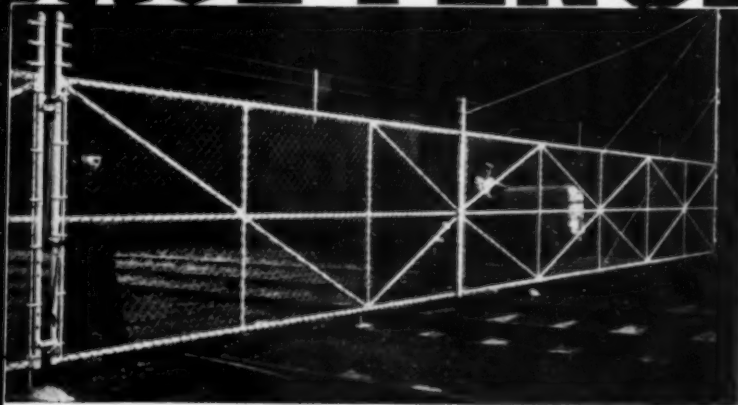
Opening up of the market would be a hopeful sign with armament expansion in the air, and the Jersey Central issue is understood to have enlivened negotiations for other offerings which are hanging fire.

On the industrial front, two things are worth noting. One is that railroads are earning money—particularly those serving the heavy industries—and they are in a mood to spend some of it on rolling stock and right of way. The Pennsy's announcement of \$10,000,000 for new car orders and the Reading's statement that it is further expanding its maintenance and equipment expenditures, both made public on Wednesday, are straws in the wind.

Another development of utmost importance is taking shape in steel. It concerns the ever-paramount matter of prices. Right now the best bet is that buyers, dominated by the necessity of keeping step with the defense program, aren't pressing for concessions. Notably, the automobile people will apparently pay something like \$8 a ton more than in the model year now drawing to its close.



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charge. The Foundation points out that \$6 for the bank and \$5 for American Surety, deducted from a loan of \$100 repayable in 12 monthly instalments, amounts to 22.8% simple interest. State laws wouldn't let banks collect that much, although the charge to the borrower is lower than the 30% and more which companies licensed under the Small Loan Acts are allowed to collect.

On the matter of legality, American Surety has sought advice upon the competence of which it is entirely contented to rely. It points out that the money collected by the surety company from the borrower to protect the bank in no sense belongs to the bank. Even though it may sometimes remain as a special deposit for American Surety in the individual bank, every dollar belongs to the surety company. It can be deposited elsewhere, and the bank can collect only the amount which may be due from American Surety on actual defaults.

Depends on the Losses

It is true that any given bank can collect from the surety company only to the extent that \$3 on each \$100 of loans has accumulated. If a bank has extended \$100,000 in loans, it is covered for as much as \$3,000 in losses. That fact tends to make the \$3,000 look like an earmarked fund, but none of the amount ever will accrue to the bank unless losses occur. And, if the bank terminates the contract, any money over and above losses belongs to American Surety.

The officials of the surety company feel that the borrower isn't so much concerned with the total of the charges he has to pay. He wants a sum of money, he wants to repay in monthly sums as small as he can arrange, and he probably can't produce collateral or co-signers. American Surety maintains that its premium of \$5 on the \$100 to make this possible is no part of the banking transaction and no part of the interest rate.

The company adds that it doesn't expect to make much money on the Vee Bee plan, believes, however, that it will gain bankers' goodwill which should produce important incidental business such as fidelity bonds on bank employees.

Quicksilver Boom

U. S. output at highest level since 1917. Hoover group sells big mine to Wall Streeters.

QUICKSILVER, one of the strategic minerals, is in the news. Prices have skyrocketed, first under the guidance of the Italo-Spanish cartel and more recently under war influences. High-cost mines in the United States have been opening almost daily after years of relative idleness, aided by a lot of new money. And this country for the first time since the

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last war, today is producing enough quicksilver to satisfy domestic needs of near-boom proportions.

The Bureau of Mines reports that April output was 2,700 flasks (of 76 lb.). It's a safe bet that May came pretty close to 3,000 flasks. Output of 3,000 flasks a month, on an annual basis, tops the modern record set in 1917.

The metal trade realizes that there is a lot of speculation in the present situation. In the first place, Italy and Spain, world's largest producers, are not in a position to ship freely, and that condition may change any day. Besides, they have been content in the past to run up prices, and if the war ends they may decide it's silly to hold the umbrella over America's high-cost mines.

A second factor in the domestic situation is British demand. England bought some quicksilver in this country for spot delivery recently, and France then was a bidder also. It appears that Britain will be shut off from Italian and Spanish supplies for the duration, being forced to fall back on this country. Nobody knows how long that is going to last.

Relying on Armaments

Finally, those who are putting their money into the mines are betting on large domestic consumption in armaments. They have, in addition, convinced themselves that domestic output has been sold ahead to such an extent the spot market may become tight. They look for British and American buying to compete to maintain market prices.

However sound the bullish arguments may be, it at least is worth noting that a group headed by the Wall Street house of Van Alstyne, Noel & Co. has bought into one of California's major producers, the New Idria mine. And, equally interesting, the Hoovers and associates were willing to sell out.

Money involved in this mining deal isn't revealed. Neither are the identities of Van Alstyne, Noel's associates. But the new owners have three reduction furnaces running, are putting the fourth into operation, and talk of adding to capacity if their hopes materialize.

Railroad or Airline?

SOME MONTHS AGO, when the market boom in airline shares was at its peak, many untutored buyers were attracted to Seaboard Airline common at 25¢. Our broker friends tell us it is amazing the number of potential buyers who come along without realizing that this company is a railroad—and a bankrupt road at that, whose common shares unquestionably are worthless. A metropolitan daily added to the confusion when it inadvertently made the same mistake as the uninformed buyers. But the railroad is clearing that up: It has asked permission to operate extensive airlines in the East and South.

BUSINESS ABROAD

FOREIGN TRADE • INTERNATIONAL AFFAIRS • FOREIGN INDUSTRY

Berlin Rules New Business Empire

Although big issues of the peace remain unsettled, Germany is already consolidating economic bloc which shifts world balance of commercial power.

WHATEVER FINAL territorial adjustments are made as a result of the war in Europe, it is evident already that this week's armistice marks the beginning of a new economic era for continental Europe. Berlin has become the nerve center for a huge new economic bloc which will extend from the Arctic to the Mediterranean and whose dependencies will sprawl across Africa and parts of Asia.

With a population of 300,000,000, this new empire compares with the 487,000,000 people in the British Empire as it stands today, and with the 400,000,000 people Japan still "hopes" to dominate in its battle for a "new order in East Asia." But where Britain's Empire is built around a nucleus of only a little more than 65,000,000 large-scale consumers in Britain, Canada, Australia, and South Africa, the new German bloc has a nucleus of nearly 200,000,000 people whose standard of living is well above the average and who are already familiar with the modern conveniences of living. The United States, in contrast, has a population of only 130,000,000. If Latin America decides to cooperate in forming a great Western Hemisphere trading bloc, this

number will be a little more than doubled. The new German bloc is automatically a leader among the world's consumers and industrial producers. Our exports last year to units now joined in this bloc amounted to more than 8700,000,000, compared with exports to the United Kingdom (normally our best customer) of a little more than 8500,000,000, and to Canada (our second customer) of just less than 8500,000,000.

A Grandiose Textile "Merger"

Within this great new trading zone bounded by the Arctic and the Mediterranean there is a total of 35,000,000 spindles, forming a textile industry which will undoubtedly give the British, with their 41,000,000 spindles, a run for their money. The Soviet Union, the only other important textile producer in Europe, has a total of 10,000,000 spindles, but fails to enter the picture just now; the Russians grow all their own cotton and absorb all of their textile output.

It is no comfort to American cotton growers that in the heart of this new bloc—in Germany and Italy—there has been a steady conversion of spindles in



For the last battle in this war—the showdown struggle between Germany and England—the British have mobilized all their potential strength. British war industries are

at last running on a day-and-night, seven-day-week schedule. Here are munitions plant workers, who used to go to church, going off to work as usual on a Sunday morning.

recent years to handle other grades of cotton than American. The question now is whether Berlin will offer to bargain with the United States for minimum supplies of raw cotton to cover the needs of textile mills which have not shifted over to other grades of cotton or whether the Nazis will insist on breaking this dependence on American supplies at once.

Concentrating Europe's Force

With the great French munitions plants now added to the Krupp works in the Ruhr and to the famed Skoda works in the former Czechoslovakia, Germany is far in the lead as Europe's No. 1 arms producer, with all of the bargaining force which this assures Berlin.

With France now added to the bloc Germany will control adequate supplies of bauxite to assure its position as a leader in the aluminum industry, and the copper deposits of the Belgian Congo, if they fall to the Germans, will give the bloc a position as world producer second only to the United States.

Not readily available in the new continental bloc, or in the colonial territories that are likely to fall under its control, are adequate supplies of wheat or corn, coffee, tobacco, fats, manganese, cocoa, or oil. These are likely to be the key items over which the international bargaining will take place when the peace

is signed and the reorientation of world trade is attempted by the Nazis.

The new balance of economic power is already reflected in recent developments in southeastern Europe. Hungary and Rumania have already taken preliminary measures to organize their economies along the lines laid down by their totalitarian neighbors, with full centralized planning of all of the means of production.

While preparations are continuing for the final attack on Britain, no time is being lost in normalizing economic life along the old German-French war front. German industries and workers who had evacuated the western frontier along the Westwall have been ordered back to their homes, and the French have been told to instruct their refugee populations to return to their homes behind the old Maginot line and in the territory which the Germans will continue to occupy in France until the struggle with Britain is over. This means the immediate resumption of full activity in the coal, steel, and other heavy industries in the Saar district.

The big issues of the peace between France and the Axis—the amount of the indemnity that will be demanded of France, the territories that will be clipped off by Berlin and Rome, and the disposition of the colonies—remain issues for the future.

Tokyo's Predicament

Lacking victory in China, Japan sees trade fall off and is unable to get needed machines.

TOKYO (*Business Week Bureau*)—Two years ago in Tokyo clubs it was not uncommon to hear long discussions about the possibility of occupying British-controlled Hong Kong, of ousting Britain from all of its special concessions in China's great trading ports, and of expanding Japanese commercial influence in the South Seas.

Two months ago, with Germany poised on the borders of Holland, the target of Japanese armchair conquest shifted to the Netherlands East Indies, richest of all Europe's Oriental colonies.

This week, after a momentary flurry over the possibility of occupying French Indo-China (during which Tokyo strategists received no more encouragement than a cold stare from the Germans), official Japan began to realize that the Nazis possibly had no intention of sharing any of these possessions with them—at least unless they made some move to play up to the Germans with offers of co-operation in carrying out Nazi dreams for a new world order.

Besieged by Difficulties

Japan is in a serious predicament. It seems to be impossible to wind up the China incident, either with a complete victory over the Chinese government at Chungking or with a satisfactory settlement which will leave Japan in control of the territories that it wants and free of the policing problem which is just now dangerously draining Nippon of both its manpower and its funds.

Also, foreign trade is doing badly. Textiles—backbone of Nipponese exports—are seriously depressed. The industry as a whole is operating at barely 50% of last year's levels, and exports during the last few months have been slumping rather than improving, despite the lack of British and European competition. More yardage is piled up in Nipponese warehouses now than was exported during the whole first five months of this year.

Annoyed by U. S. Priority

Even more serious from the point of view of the country's vast industrial program is the inability to get machinery from the United States. Though Japan's machine tool industry has made breath-taking progress during the last few years, it is still dependent on imports of primary machine tools from abroad. European markets have been completely closed since the outbreak of the war and now Washington has established its priority system which has gone so far as to stop delivery to Japan of machines which not only are completed and paid for but, in some cases, were actually commandeered

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from the hold of vessels in which they are ready to be shipped to Yokohama and Osaka.

As far as these machines are necessary for America's new national defense program, Japan realizes that it can make no ultimate complaints. But where they are being commandeered for shipment to Britain (and, until recently, to France), Tokyo claims that it is a case of rank discrimination, and has protested vigorously to Washington.

The army's six-year armament replenishment program, which was inaugurated on Apr. 1, is already affected. Mikawajima Shipbuilding Co.'s airplane engine plant, the ¥8,000,000 expansion plant of the Tokyo Automobile Co. (armored cars, tanks), the ¥30,000,000 international and Manchurian Aircraft Companies' projected aeronautical plants, and the ¥100,000,000 Manchurian Automobile Co. all depend entirely on the United

States for machine equipment, though if Germany is successful in winding up the war by the end of August, as Berlin now promises, they may be able to shift these orders to the Germans.

In view of all these developments, Tokyo is watching international developments nervously. Definite efforts have been made in the last few months to improve relations with Moscow. But just now there is a struggle between two factions—one favoring better relations with the United States and the other with the powerful new Germany. It is no surprise to observers here that each new Hitler victory is strengthening the hands of the pro-Hitler group who believe that there is still time for Japan to tie its new-order-in-East-Asia program into the broader Nazi scheme for a new world organization. It is a belief admittedly fostered by fear that Nippon may otherwise be finally squeezed out.

Canada's Billion Dollar Tax Bill

New budget, more than twice as large as last year's, will demand boosts in income taxes and a 10% levy on all goods imported from non-Empire countries.

OTTAWA (Business Week Bureau)—Applauding and cheering, Canada's M.P.'s heard retiring Finance Minister J. L. Ralston read the details this week of the country's first war-time budget, which calls for expenditures of \$1,148,000,000 through March, 1941. There was a demonstration over each new tax proposal, and a prohibitive tax on the purchase of more expensive new cars received the greatest ovation.

Because estimates on how much this war is going to cost Canada have shot upward in hundred-million-dollar spurts, reverse after reverse has hit the Allied cause this spring. The finance bill was about ten weeks late. Even though it eventually emerged as the first billion dollar budget in Canada's history—more than twice as large as last year's and 66% greater than the 1920 budget, the previous record holder—Ralston cautioned members that expenses might rise another \$150,000,000 to \$200,000,000.

As he spoke, seasoned political observers realized that Canada will make a major effort to produce armaments, independent of English orders. Expenditures for the whole four years from 1914 to 1918 did little more than equal this 1940 budget. In that war, England spent most of the money for war materials. Now, the Dominion is mobilizing industry on its own, just as it assumed responsibility for its share of the Empire plan for training aviators when shiploads of planes from Britain were forced to turn back for home defense a month ago. Over half of the budget will go for war materials.

Under the tax measures which Ralston and his business men advisers have proposed, Canada will pay about 58% of the cost as it goes. As the Canadian national income is expected to reach the \$4,500,000,000 mark this year, up \$700,000,000 from last year because of war industry, Canadians will probably pay 17% of their income in taxes. There will be a deficit of \$550,000,000 to \$600,000,000. He estimates that \$760,000,000 will be collected, \$110,000,000 of it through new tax measures.

Strive to Save on Exchange

Some of the new taxes will raise revenue for war purposes, some of them are designed to conserve exchange for the same purpose. There are two exchange conservation measures: a general 10% impost on all goods imported from non-Empire countries, which will mainly affect imports from the United States, and heavy excise taxes on automobiles. Revenue taxes consist of increased levies on excess profits and on personal incomes, special defense income taxes, and sumptuary taxes on certain luxury commodities.

A married man, with no dependents other than his wife, and earning \$3,000 a year will pay \$195, as against \$36 last year. In the higher brackets, a man of the same status earning \$20,000 a year will pay \$6,530 as against \$3,112.20 last year. Regular income tax exemptions are to be lowered from \$2,000 for married people to \$1,500 and from \$1,000 to \$750 for single persons.

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Briefed from the Cables

LONDON (Cable)—The French collapse will probably result in resumed British coal shipments to Canada and South America. After the Germans had seized the Low Countries and the chief French coalfields in the north, London promised France 20,000,000 tons of coal per year to meet industrial requirements. With special provisions for the miners in South Wales and elsewhere to work Sundays, considerable stocks have accumulated which are available now for export.

Canada, Brazil, Uruguay, and Argentina were big pre-war users of British coal and have had to look elsewhere for supplies in the last nine months. Unprecedented rail shipments of bituminous from the United States to Canada last fall caused troublesome tie-ups in Montreal and Toronto yards. Most Canadian coal had come up the St. Lawrence from England to more adequate unloading depots.

BERLIN (Cable)—The gold standard and the billions hoarded at Fort Knox, Ky., will have only historical interest to Germany in the future, according to the *Deutsche Bergwerkszeitung*, an industrial paper which comments on the gold standard this week as follows: "Its renaissance as a standard for currency is impossible, because, first, the nations will no longer permit their economic life to be dictated and guided by a super-national factor, and second, because all the necessary prerequisites for the material functioning of the gold standard have now ceased to exist—that is to say, because it has become impossible to bring together a concert of nations willing to observe the rules of the game."

[But at the same time a contradictory opinion was issued in New York by Dr. Albert Degner, secretary of the Board of Trade for German-American Commerce, Inc. He said: "Just what method of trade will be worked out cannot be forecast at this time, but it is significant that there is considerable sentiment in Germany for reestablishment of international commerce on a system that includes the use of gold as a medium of exchange. Those who consider that gold will no longer be used for foreign commerce have formed their opinions too hastily, I believe."]

Moscow (Cable)—As a new economic order begins to unfold in Europe, trade commissions from Sweden, Denmark, and Finland are busy in Moscow. Extensive Danish and Swedish barter agreements are believed to be in progress, while Fin-

land's economy is being incorporated into the Soviet set-up. Also in Moscow, but temporarily inactive, is a Japanese delegation. Observers believe the Tokyo talks will soon be resumed, with a rapprochement and settlement of the Far Eastern rivalries distinct possibilities.

OTTAWA—The conscription bill now being rushed through Parliament is a concession to public demand in English-speaking sections of Canada for drastic war efforts. It is accepted as a preliminary step toward compulsory mobilization. Limited as yet to a draft of man power for home defense, its scope will be increased if, as expected, the war situation becomes still more serious and the Canadian government is broadened along non-partisan lines. However, provisions in the bill empowering the government arbitrarily to enlist material resources as well as man power for the prosecution of the war have implications for total mobilization which will not be fully understood until enforced.

BUENOS AIRES—Unless some plan can be worked out with the Inter-American Bank (page 15) or with the United States government, Argentina may have to limit or entirely prohibit remittances of dividends and capital abroad in order to conserve dollar exchange. Increased dependence upon American sources for industrial essentials formerly imported from abroad, such as tin plate, has swallowed up the dollar supply Buenos Aires has had on hand.

Moscow (Cable)—Russian industrial trusts are making a drive to increase plant efficiency by weeding out unnecessary labor. According to *Industria*, the heavy industry paper, the tube steel trust has laid off 2,900 workers recently by raising individual productivity. Those workers, however, are finding new jobs without difficulty. Some Soviet mills spend 90 man-hours producing a ton of tubing while the best American plants need only 41 man-hours.

OTTAWA—Following the new American ruling that Canadian tourists in the States must have visas, American consulates in Canada have been jammed with Dominion citizens seeking passports. The official document costs \$1. Four new consular offices will be opened in Canada, solely to stamp visas. There is no present prospect that Americans in Canada will be required to carry passports.

THE TRADING POST

What?—No Savings?

Joe drives the butcher's delivery car. At least that's his principal job. Besides that he does a few other things—janitors for an apartment house and does odd jobs for the neighbors.

For Joe is the proud father of six—five girls and a new boy, not yet a yearling. And he must hustle to keep them all in the things they really need. He isn't in the overprivileged two-thirds.

Once in a while The Lady of the House gets Joe to do some little job around the place. He seemed very happy to get some used clothes and other such items as honoraria. But that bothered The Lady no end. She offered him a cash emolument but he would have none of it. So finally she resorted to subterfuge. One day, when she made up a bundle of clothes for Joe, she pinned a \$5 bill to one of the garments.

Joe and Mrs. Joe really were quite pleased. But I'm afraid they're anti-social sort of people. For what do you think they did with the five bucks?

You'd never guess. They started a bank account for the bambino. And they seemed quite proud of that.

When The Lady heard about it she realized that someone ought to set Joe right. And as she was the innocent cause of his lapse, she figured she was elected.

"Look here, Joe, don't you know that a man in your position shouldn't be saving money like that?"

"Not save money?" parroted Joe, obviously bewildered and sparring for time. "Whaddye mean, not save money?"

"Well," explained The Lady, none too sure of herself. "don't you know that the smart men down in Washington say that too many people are saving money?"

Joe wrinkled his nose—then smoothed it out again. It sounded like the place to laugh and Joe always is accommodating; yet The Lady didn't seem to be joking.

"Yes," pursued The Lady, "that's why we have a depression. That's why so many men can't get jobs. See?"

"Yes, ma'am," ventured Joe, always the gentleman. "You mean if nobody save money, everybody have a job?"

"Well," faltered The Lady, "something like that—more or less."

But now Joe took charge. "How about you? You don't save some money, neither?"

"But that's different, Joe. You see I'm one of the overprivileged, so I should save. I used to put it in the bank, and when business men like your boss wanted to borrow some money to get a new truck or something, they'd get it from the bank. See? But now the idea is that everything I can save I should pay to the government in taxes, and—"

"Say," interrupted Joe, narrowing his eyes, "maybe I wanta borrow money some day to get a truck and go into the hauling business. Where'll I get it if you don't put it in the bank any more?"

"Oh, the new idea is you'd get it from the government, Joe."

Now Joe's eyes pulled an Eddie Cantor. "From the gov'ment! You mean I hafta go see the district leader to get that money? Jeez—excuse me, ma'am; I mean I never get that money! You see, that leader, he's a Democrat and I'm Republican. What chance I got? Banker hard enough to get money from, I think, but if he figger I make some money, maybe he let me have it. But politician—that's very bad! Unless maybe I change my vote, eh? Maybe I do that."

Joe chewed over the bad news for a minute, then burst forth: "And you say it's no good for me to save money neither. So just no way for me to get that money except the gov'ment. Sa-a-ay," he resumed, "why you say it's bad for man like me to save money? Suppose the baby gets sick or I lose my job? What'll I do when I get too old to work and don't have some money saved up? How—?"

"Listen, Joe," said The Lady, glad to get the ball in her hands again, "the reason you should spend all your money is because when you spend it you make a job for some other fellow, see?"

"Yes, but—"

"Never mind, Joe, wait a minute. You don't have to worry about spending all you get and not having anything in the bank, because—"

"Now," interrupted Joe, with a sort of disgusted look, "you talk like the guy that tried to sell me some oil stock."

"Let me finish, Joe. You don't have to worry because your unemployment allowance and social security pension and all those things will take care of you. You see, the government—"

Joe groaned. "Always the gov'ment—the gov'ment! Always see the district leader for everything! No good! Always my father and my grandfather they save some money, see? Me too. No matter how little pay, always save something—sometimes not much, see? Now my baby begin save something too. I don't like to see district leader every time I need money—no ma'am. Joe rather take care of himself, see? So I guess I go right on saving all I can."

The Lady felt she had failed miserably. "Well, Joe, that's O.K. with me, but the smart men in Washington—"

"Lady, you know what I think about those smart men in Washington?"

"What, Joe?"

"They very smart about other people's money!"

W.T.C.

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BUSINESS WEEK

With Which Is Combined The Magazine of Business

June 29, 1940

The Tax Bill Nobody Noticed

BEFORE RECESSING in haste to make way for this week's Republican convention, Congress passed a new tax bill designed to contribute nearly a billion dollars to the rapidly rising cost of national defense. Unlike tax legislation of recent years, this measure went through both houses as if on wings. There was no undistributed earnings tax with a social-reform flavor to send Congressmen into a fever of debate. This bill met with almost universal approval—possibly for the reason that it was intended for the single purpose of raising revenues.

Congress chose the easy way out. The brunt of the new burden falls on income. Corporation taxes get an automatic boost of 1% all along the line: from 12½% to 13½% on net income above \$5,000; from 14% to 15% on net income between \$5,000 and \$20,000; from 16% to 17% on net income between \$20,000 and \$25,000; from 18% to 19% on net incomes above \$25,000. This is expected to lead about \$70,000,000 into the Treasury. In addition, there is a 10% supertax—after the income tax is determined, the corporation adds 10% to its tax—which is expected to raise another \$135,000,000.

As against the \$205,000,000 boost in the corporate burden, an additional load of \$375,000,000 is placed on individual tax-payers. To get this sum, Congress brought 2,000,000 more prospects into the tax fold by lowering the exemption from \$2,500 to \$2,000 for married persons and from \$1,000 to \$800 for single persons; for people in the middle-upper brackets, there are now surtax rates starting at \$6,000 a year instead of the former \$8,000; and up to \$100,000 income, the surtax rates rise somewhat more steeply than formerly. From these changes Congress hopes to realize \$252,000,000; and the 10% supertax, also imposed on individual incomes, is calculated to bring in another \$123,000,000.

THE income tax increases are of two types: the supertax of 10% is temporary and is scheduled to run for the next five years; the new corporate and individual levies, however, have no set time limit. And Congress has succeeded in spreading taxation among a large lower-income group—something that would have been difficult had there been no "emergency."

Though income taxes bear three-fifths of the increased load, some old government standbys come in for an important share of revenue-producing:

1. An advance in the rate on gasoline from 1¢ to 1½¢ a gallon and on lubricating oils from 4¢ to 4½¢ a gallon is expected to yield \$112,000,000.

2. A 75¢ increase in the floor tax on distilled spirits

is counted on for \$76,000,000; fermented malt liquors are touched for \$46,300,000.

3. The usual federal rate of 10% is now to apply to theater, cabaret, and concert admissions as low as 21¢; formerly the tax began at 41¢. This is estimated to yield some \$60,000,000.

4. The cigarette levy goes up ½¢ a pack; yield: \$34,000,000.

Nor are these all. There are supertaxes on inheritances, gifts, and capital-stock and excess-profits taxes, and there are boosts in various manufacturers' excise levies. But by and large, Congress stuck to the "old reliables" in a stopgap measure.

WISELY, the House and Senate conference committee dropped La Follette's proposed 20% tax on profits in excess of 8% on invested capital and 40% on profits in excess of 20% on invested capital. Ultimately, Congress probably will decide on some way to recapture "defense profits", probably along British or Canadian lines—with preceding years serving as a measure of profit performance. La Follette's scheme, based as it was on "invested capital" would cause all sorts of legalistic and accounting technicalities. Who can say what is "invested capital"? Canada ran into this; and its new war levy eliminates the option of computing corporate taxes on "invested capital."

Before Congress embarks on a tax-the-profits program, it would be in order to lay out a definite philosophy. Since a larger and larger share of the national income seems destined for armaments (*BW*—Jun 22 '40, p. 37), it is especially important that the burdens be distributed equitably; haphazard taxation, by putting an overload on industry, conceivably could slow up the production line when speed is most urgent.

So it is well that Congress temporized. After the election, with "politics" out of the way, it will be time to dig into the problem of who should pay and how.

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It's Moving a Mountain a Mile

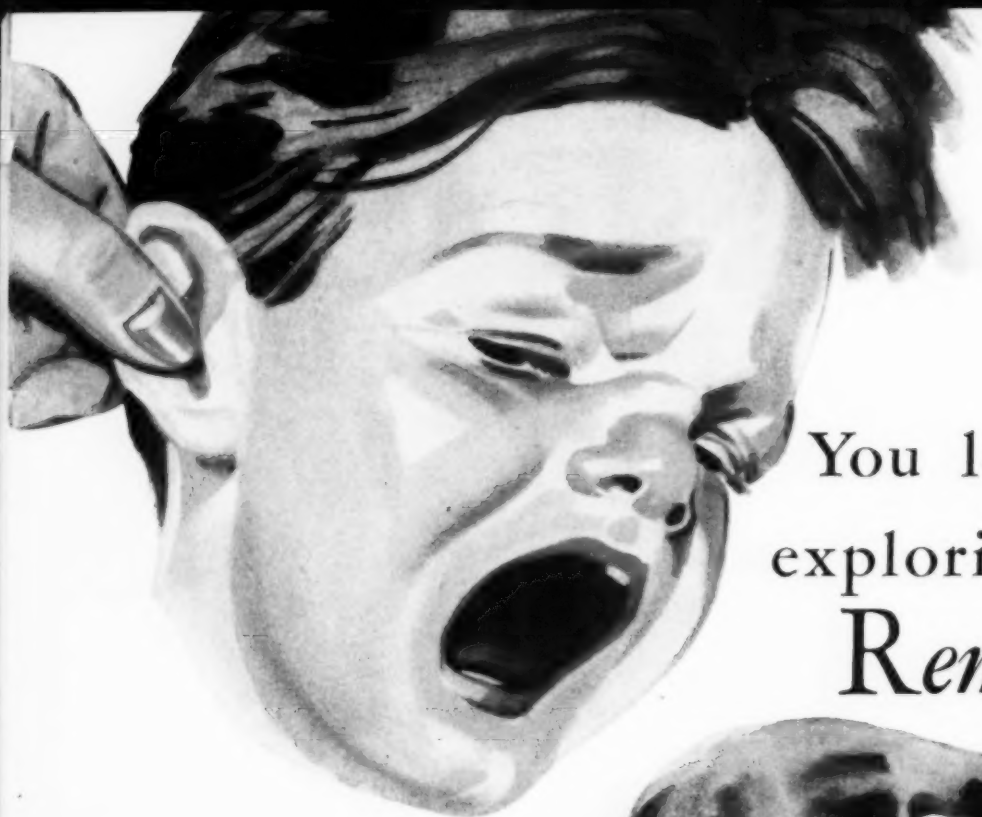
— with the help of the G. T. M.



From high up a rugged California mountain comes the stream of limestone rock you see here cascading from the end of a Goodyear conveyor belt—one of the most remarkable belt hauls in the world. Built to transport millions of tons of rock to be used in manufacturing cement for the gigantic Shasta Flood Control Dam, the conveyor winds up and down the sides of the mountain, swooping up-hill and down-dale like a great roller coaster. Under impetus of a 700-ton-per-hour down-hill load the belts drive generators that supply

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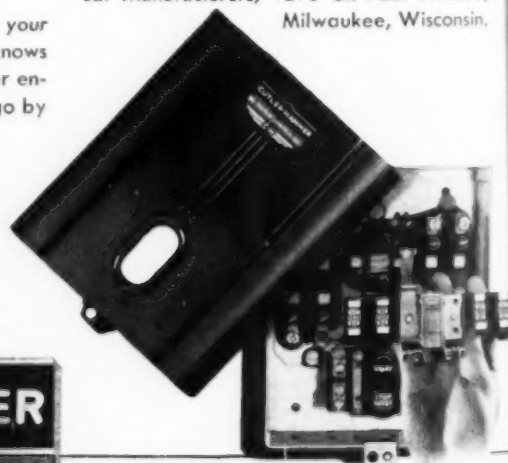
Well, little boys are not supposed to go inside the Motor Control in your factory today. In fact, your Motor Control should be so good that even those big boys who work with screwdrivers and pliers are supposed to pass that Motor Control by for months at a time without ever putting a

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★ THE SATURDAY EVENING

POST

... *America between two covers*



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APPROVED

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Right—Mr. Lloyd Kennedy, Composing Room Foreman, finds Teletalk is indispensable at "edition time."

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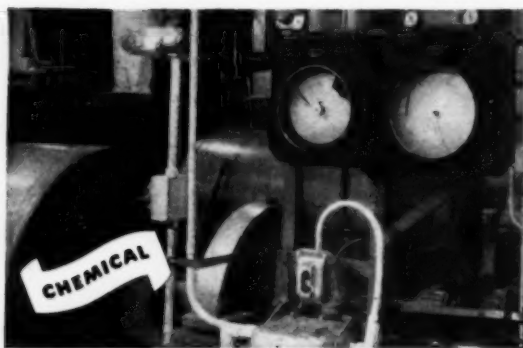
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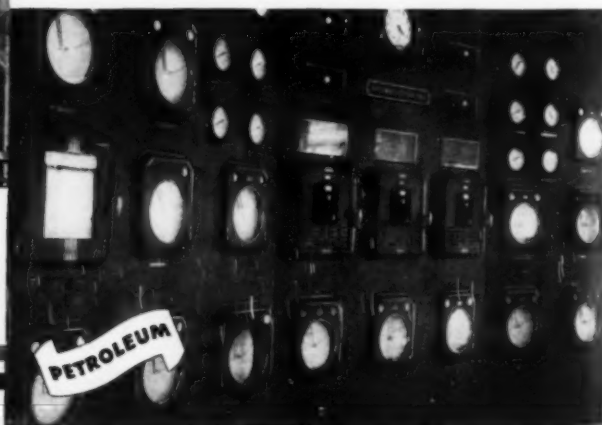
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"Speed up, and still produce better things



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